

South Allison Hill Brownfield Area-Wide Plan Market Analysis

Prepared by:



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2018 real estate market data courtesy of CoStar



Harrisburg-Carlisle MSA cluster and industry employment data courtesy of the US Cluster Mapping Project, a collaboration of the US Economic Development Administration and Harvard Business School Institute for Strategy and Competitiveness



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Summary of Findings

A summary of key findings is provided in the bulleted list below. Please refer to the full market analysis, beginning on page 5, to learn more.

The Area-Wide Plan is an opportunity for property owners to evaluate future capital investments in the context of anticipated improvements in the neighborhood.

Urban Renewal

In Harrisburg, the City experienced growth in population for the first time in 50 years, growing from 48,950 in 2000 to an estimated 50,980 residents in 2016. While modest, the population growth reflects recent national trends and bodes well for continued community and economic development initiatives to improve the City's residential neighborhoods, parks and recreational amenities, and business attraction efforts.

- The South Allison Hill Brownfield Area-Wide Plan (AWP) is an opportunity for property owners to evaluate future capital investments in the context of anticipated improvements in the neighborhood. Examples of positive transformation include the Hamilton Health Center, now located on a site formerly occupied by Allison Hill Automotive.

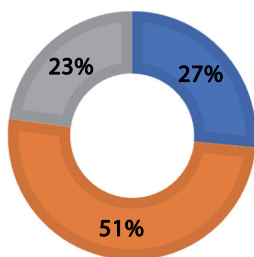


Median
Household
Income:
\$29,015

Existing Conditions in South Allison Hill

- With a median household income of \$29,015 in 2017, the South Allison Hill trade area is defined as a very low income area by the U.S. Department of Housing and Urban Development (HUD). The neighborhood is predominantly home to minority households. Unemployment is high (13.9 percent in 2017, compared to 11.8 percent in the City and 4.8 percent in the Harrisburg-Carlisle Metropolitan Statistical Area (MSA)) and employment barriers include low levels of educational attainment (approximately 29% of residents have not completed high school) and transportation barriers (many households own one vehicle or none). Stakeholder interviews identified additional challenges including drug use and limited soft-skills necessary for obtaining and holding a job.

■ Owner Occupied ■ Renter ■ Vacant



- In 2017, approximately half of all housing units in the South Allison Hill trade area were renter-occupied (50.8 percent). While a mix of both owned and rented homes is necessary to serve a diverse population in any community, homeownership generally encourages better home maintenance compared to rental properties. The high rental rate and absentee landlords in South Allison Hill are widely recognized challenges for the neighborhood.
- Another contributing factor to blight is housing vacancy. In 2017, the South Allison Hill trade area had a vacancy rate of 22.5 percent, compared to 7.7 percent in the MSA. Concentrations of vacant and underutilized industrial buildings and blocks of blighted and unsafe residential structures suggests the need for neighborhood stabilization to advance substantial rehabilitation or demolition. As defined by HUD, neighborhood stabilization refers to assistance in neighborhoods that have high rates of abandoned and foreclosed homes, and to assist households whose annual incomes are up to 120 percent of the area median income (AMI).

- South Allison Hill has lost approximately 1,323 local jobs within the trade area since 2005. Today, approximately 2,006 workers travel into the area to work, while 3,945 residents leave the area to work. Fewer than 125 residents both live and work in the neighborhood. This jobs mismatch increases dependence on the automobile and increases overall household income devoted to commuting.

Retail Opportunities

Potential for new retail
based on current
consumer spending:
72,279 square feet



- Based on a retail gap analysis for the South Allison Hill trade area, current consumer spending in the neighborhood could reasonably support approximately one new clothing store and one new restaurant. The analysis is based upon average retail sales per square foot by retail store type and current unsatisfied retail demand.
- The low purchasing power of residents (based on median household income and unemployment trends) suggests that neighborhood stabilization needs to occur before the neighborhood can realize significant investment in its neighborhood commercial corridors. Site selection criteria for retailers includes consumer spending power and the number of households in a given market area.

Light Manufacturing and Makerspaces

The local market is
most ripe for food
processing &
manufacturing, malt
beverage
manufacturing, and
microeconomic
projects such as
makerspaces.

- In the Harrisburg-Carlisle MSA, Health Care and Social Assistance, Administrative and Waste Services, Transportation and Warehousing, Manufacturing, and Professional and Technical Services have experienced the most growth, adding between 1,000 and 5,000 jobs each in the region between 2010-2015. In South Allison Hill, light manufacturing is of interest due to its ability to offer family sustaining wages and on-the-job training.
- True throughout all cities, but especially important to low-income neighborhoods, manufacturing and other industrial activities are often part of that “right balance” for redevelopment, as they are more able than retail and most service jobs to provide a living wage¹.
- Areas of Food Processing and Manufacturing, especially Perishable Prepared Goods Manufacturing, are possible industry opportunities for the AWP study area for small and mid-cap companies looking for relocation space. It is important to note that the AWP study area does not currently offer ready facilities with the proper equipment, ventilation, and sterilization, which is vital when ramp up periods are 6 to 12 months within this industry cluster. A concentrated effort on providing these types of facilities, or at least ready to develop lots, will be needed to better attract these types of businesses.
- Malt Beverage manufacturing, specifically microbreweries, are a burgeoning business nationwide and there is a higher concentration of employment within the Harrisburg-Carlisle MSA. These establishments are typically small and often fit the

¹ Sustainable Urban Industrial Development, APA, 2014

size of some of the catalyst sites within the South Allison Hill AWP study area. As microbreweries continue to move away from the tasting room based model, there is increased dependence upon distribution for continued growth and long-term business sustainability. This area could provide an ideal location for manufacturing/warehouse spaces that provide for this need.

- *All other plastics* is a large swath of businesses that create final materials from plastic resins. While some businesses are quite large and are considered heavy industry (not compatible with the study area), smaller operations can be a good fit for existing structures and sites within the study area.
- Makerspaces have gained increasing importance as a tool for communities to revitalize neighborhoods, create a destination for residents, and provide space and support for up-and-coming entrepreneurs. Makerspaces are generally defined by their goal of providing shared access to space, equipment, and support programs for entrepreneurs in developing their businesses.



The Harrisburg market includes two submarkets, Harrisburg East and Harrisburg West, which are bisected by the Susquehanna River.

The South Allison Hill AWP study area is in the Harrisburg East submarket.

Real Estate Market Analysis

- The Harrisburg market has rebounded tremendously since the 2008 recession, although overall cap rates are still at pre-recession levels, so profits are still slightly soft compared to the pre-recession boom. Most of the growth has been led with the burgeoning logistics and distribution cluster which demands large and modern facilities. Most of this growth is happening in the Harrisburg West submarket along the major interstate corridors in suburban areas of the MSA where greenfield development can be accommodated.
- Rents in the Harrisburg East submarket (where the study area is located) are expected to flatten over the next few years due to under-construction inventory that will come to market. This new inventory, although mainly logistics related, will have an impact on rents commanded within the study area and may work to drive down already low rents in areas with high obsolescence. While this can be an advantage, this can reduce funding available for building maintenance, repair, and tenant improvements.
- The market area, and the two-mile radius used for market comparisons, contains many older buildings with 1960 being the median age. Lower ceiling heights of existing structures decreases competitiveness for warehousing and specialized industrial space which is demanding higher ceiling heights. The average building size is just over 22,000 square feet which can accommodate small and mid-cap industrial operations such as identified growth clusters including specialized food manufacturing, small plastics (other), and malt beverage (small brewing operations). These types of businesses often prefer lower rent industrial areas and often pay higher wages than retail or service sector employment.
- The average asking rents for the market comparisons for the study area averaged \$0.40 per square foot which is lower than the submarket and Harrisburg market respectively. This is partially due to age and size of the structures, longer time on the

market, and current vacancy rates. This also points to potential obsolescence or the need for reinvestment in structures to increase their market potential. Also, continued reduction in parcelization (some consolidation of parcels has occurred) and creation of ready-to-build sites can also reduce ramp up times for businesses, which can be attractive due to increased certainty and reduced overall costs. Both strategies can make the study area more competitive with current greenfield development.

- Lower rents can be an advantage to cost-conscious businesses, although it is important to note that both specialized food manufacturing and small brewing operations typically require significant retrofitting of existing structures due to the specialized nature of their operations. Some catalyst structures within the study area, including the Coca-Cola Building, may be good candidates for this type of investment, but for many existing structures, it may be more cost effective to build a new structure. Small plastic extrusion and molding businesses may not require the same retrofits of existing structures and may be better candidates for existing structures. It is important to note that pro formas were not included within this study to analyze investments and returns on individual properties within the study area. Care should be taken when evaluating structures to consider the potential rents, time on market, and overall internal rate of return to determine risk level, ability of landlords to reinvest in aging properties, and whether retrofits, adaptive reuse, or demolition/new construction may result in better returns and a more economically competitive area.
- Reduction of regulatory barriers is very important in establishing market certainty and meeting tight ramp up deadlines heavily considered in the site selection process. The City's land use policies should be reevaluated to ensure they support a full range of opportunities related to redevelopment, including industrial uses. Ultimately, allowing flexibility for market opportunities is important to attract new uses. Further, design standards can ensure appropriate buffers to enable industrial uses to coexist with commercial and residential uses.

THE ROLE OF INDUSTRIAL USES IN URBAN AREAS

Underappreciated is the fact that manufacturing and other industrial activities are part of that "right balance," and **they are more able than retail and most service jobs to provide a middle-income standard of living...** for smart growth to benefit city populations more broadly, [communities] need a deeper appreciation of urban manufacturing and industry to inform more effective policy and practice.

Sustainable Urban Industrial Development, APA, 2014

Introduction

As a component of the South Allison Hill Brownfield Area-Wide Plan (AWP), a market analysis of the South Allison Hill neighborhood and Harrisburg region was prepared in 2018. The analysis outlines market conditions of the South Allison Hill AWP study area, which is an approximately 55-acre area located in the City of Harrisburg. Situated east of the downtown, the boundaries of the study area are Market Street to Derry Street and 13th Street to 18th Street. The core of the area's brownfields is located along a former rail spur corridor that historically served a series of industrial operations.

The market analysis contains a review of socioeconomic trends, a retail gap analysis, employment and industry trends, and qualitative insights gathered through a stakeholder interview process. The socioeconomic trends include demographic data on the residential population and the consumer profile. The retail gap analysis compares the supply (sales to customers) and demand (potential for consumer spending) based on disposable income in the study area and is broken-down by retail categories to provide insight into where unmet market demand is most evident. The employment and industry trends outline past, current, and future employment levels by industry. To offer additional insight on employment trends and the opportunity to attract industries to South Allison Hill, industry clusters are also analyzed. Finally, a real estate market analysis is provided for the Harrisburg metropolitan area along with site comparison data specific to the AWP study area. Primary data sources used for the market analysis include ESRI Business Analyst, U.S. Census Bureau, Pennsylvania's Department of Labor and Industry Center for Workforce Development, US Cluster Mapping Project from the Economic Development Administration and Harvard Business School Institute for Strategy and Competitiveness, and 2018 real estate market data courtesy of CoStar.

Local Context

Located on the eastern banks of the Susquehanna River in Dauphin County, Pennsylvania, the City of Harrisburg is home to approximately 50,980 residents and serves as the Pennsylvania State Capital. As the seat of government for the Commonwealth and the County, the Harrisburg-Carlisle Metropolitan Statistical Area (MSA) serves as a regional employment hub for Central Pennsylvania. In addition to its robust public-sector activity, the MSA is home to many private-sector companies and institutions.

Like many urban communities in the latter part of the 20th century, Harrisburg experienced urban population flight between 1950 and 2000, shrinking from a high of 89,544 residents in 1950 to a low of 48,950 in 2000. Reinvestment in urban infrastructure nationally, and a reversal of socioeconomic trends, are bringing jobs and residents back to urban communities across the country. In Harrisburg, the City experienced growth in population for the first time in 50 years, growing from 48,950 in 2000 to an estimated 50,980 residents in 2016. While modest, the population growth reflects recent national trends and bodes well for continued community and economic development initiatives to improve the City's residential neighborhoods, parks and recreational amenities, and business attraction efforts.

The South Allison Hill AWP represents a unique opportunity to advance the City's interests for community renewal and economic development. Specific to the South Allison Hill neighborhood, there are several existing and proposed projects in and surrounding the neighborhood that are positioning the area for revitalization, including:

- New Hamilton Health Center located in the AWP study area on a previous brownfield site. Opened in 2012, the healthcare facility has been a major catalyst for the local neighborhood;
- The MulDer Square development project;
- Capital Region Water infrastructure improvements;
- Proposed Paxton Creek flood mitigation, and;
- Proposed Transit-Oriented Development (TOD) redevelopment at the Harrisburg Transportation Center.

The South Allison Hill AWP is an opportunity for property owners to evaluate future capital investments in the context of anticipated improvements in the neighborhood and as catalyst sites are redeveloped. These changes can include improvements to streets, sidewalks, lighting, and landscape, as well as returning long vacant and/or derelict properties to active use such as the positive transformation of South 17th Street that has occurred since Hamilton Health re-occupied a site formerly occupied by Allison Hill Automotive. Reinvestment opportunities that appear most compelling occupy key locations and/or are larger underutilized buildings, including:

- 47 South 14th Street, soon to be redeveloped as an extension to Hamilton Health campus offering Pre-K classes and day-care as well as expanded parking;
- 101 S. 17th Street, the former Hajoca Plumbing Supply, presently occupied by a stone countertop installer/distributor;
- 227 S. 17th Street, the former Coca-Cola Bottling Plant and the contiguous former rail R.O.W. This area, including 1715 Mulberry Street, both 101 and 227, and the rail R.O.W., are designated Keystone Opportunity Sites, which carry some specific tax benefits and potential relief from some development costs;
- 230 and 234 S. 18th Street and 1721 S. Holly Street, a former lumber mill; and
- 345 Carlisle Street and 1716/1734 Derry Street, a large (2 acre) site assembled by a single owner at a very prominent intersection. Current tenant/occupants include Derry Family Supermarket and Cidra's Cabana Restaurant.

Steering Committee Guidance

For this study, the Harrisburg market was analyzed for its potential to attract lower impact, neighborhood-sensitive businesses such as services, assembly, light fabrication, light manufacturing, and makerspaces which could restore the economic and social value of the brownfield properties. While manufacturing is not generally considered a neighborhood-sensitive business, this end use was explored due to stakeholder input regarding the types of end-uses that would provide living wage job opportunities for local residents. Creating new, family-sustaining local jobs that can be filled by South Allison Hill residents was a clear, expressed desired outcome for redevelopment, as directed by the Harrisburg Redevelopment Authority and further validated by both the Steering Committee and stakeholder interviews. Creating local jobs in the areas of assembly, light fabrication, light manufacturing, and makerspaces is also an identified need by the City.

There are two primary reasons why assembly, light fabrication, light manufacturing, and makerspaces should be considered for the South Allison Hill neighborhood.

Need to stabilize the neighborhood. While a vibrant community, the South Allison Hill neighborhood has concentrations of vacant, obsolete, and underutilized industrial buildings and blocks of blighted and unsafe residential structures that require substantial rehabilitation or demolition. Existing blight, crime or the perception of crime, and the low purchasing power of residents indicates that neighborhood stabilization needs to occur before the neighborhood can expect to realize significant investment in its neighborhood commercial corridors. As defined by the U.S. Department of Housing and Urban Development (HUD), neighborhood stabilization refers to assistance in neighborhoods that have high rates of abandoned homes, and to assist households whose annual incomes are up to 120 percent of the area median income (AMI). As recently described by the City:

- Although property is considered inexpensive throughout much of the city when compared to the MSA, it is difficult for many city households to purchase them due to structural integrity, obsolescence, maintenance and rehabilitation costs, and absentee ownership. This contributes to housing insecurity within the AWP study area. There is also a disconnection between city residents and diverse, high-quality jobs exacerbated by structural economic shifts in Harrisburg's economy over time and land use planning and transportation infrastructure that has not kept pace with this change.

- Harrisburg's industrial base is fairly limited as many companies have moved to the suburbs, but some remaining building stock provides an opportunity to provide lower-cost space for emerging trends in smaller-scale light industrial uses.
- Rental housing is increasingly unaffordable for residents, especially larger households.

Need to creating family-sustaining, local jobs. As outlined throughout the socioeconomic trends, South Allison Hill is home to predominantly minority and low-income families that contend with several employment barriers, including limited or no English-speaking ability, limited access to transportation and childcare, and low educational attainment and skills training.

To stabilize the neighborhood, creating local family-sustaining living wage jobs is an opportunity to improve the median household income of the neighborhood. In addition, local jobs reduce transportation barriers by providing jobs located within the neighborhood that are walkable, accessible by bicycle, or near public transit. As one stakeholder explained during the interview process, the reduction in travel time for workers in the neighborhood is a paramount ingredient to stabilizing family structure, whose decline is due in part to long work hours and/or commutes. Reducing commutes decreases childcare costs, transportation costs, and stress levels, and increases interaction between parents and children.

Defined Market Area

The primary area studied for purposes of the community profile include three census tracts in the City of Harrisburg: Census Tract 212, 213, and 215. This 607-acre area includes the South Allison Hill AWP study area as well as the surrounding commercial corridors within immediate proximity of the study area, including Cameron Street, Derry Street, Market Street, Paxton Street, and State Street. Throughout the market analysis, this defined market area is referred to as the South Allison Hill trade area. To help provide context to the trends occurring within the trade area, socioeconomic data is also presented for the City of Harrisburg and the Harrisburg-Carlisle MSA.

The industry cluster analysis and Harrisburg market analysis were studied at the regional level and at the Harrisburg-East submarket level.

Figure 1: Community Profile Trade Area



Community Profile

Tapestry Segmentation

Consumer market segmentation is commonly used by the real estate and retail industries to describe the typical consumer lifestyle and spending habits of customers within a retail trade area. ESRI Business Analyst provides tapestry segmentation based on socioeconomic characteristics and psychological profiling of consumer behaviors. The information is collected through point of sale (POS) data and consumer surveys and generally represents the activity of the top 75 percent of the consumers in an area. Within the South Allison Hill trade area, the top tapestry segments are Fresh Ambitions, City Commons, and Traditional Living. Descriptions of each segment, which describe the average person, are provided below. The wording and graphics are that of ESRI Business Analyst.

- **Fresh Ambitions** – These residents tend to be young families who focus on their children. Many are immigrants, and multigenerational families are prevalent. These residents spend what they can on their children and on occasional trips to visit family. They are predominantly renters and most households have at least one vehicle. Unemployment is high, and consumers are price-conscious.



WHO ARE WE?

These young families, many of whom are recent immigrants, focus their life and work around their children. *Fresh Ambitions* residents are not highly educated, but many have overcome the language barrier and earned a high school diploma. They work overtime in service, in skilled and unskilled occupations, and spend what little they can save on their children. Multigenerational families and close ties to their culture support many families living in poverty; income is often supplemented with public assistance and Social Security. Residents spend more than one-third of their income on rent, though they can only afford to live in older row houses or multiunit buildings. They budget wisely not only to make ends meet but also to save for a trip back home.

OUR NEIGHBORHOOD

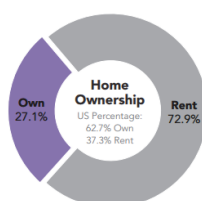
- Resides in mostly row houses or 2–4 unit buildings; many were built before 1950, located in major urban cities.
- They predominantly rent; average gross rent is a little below the US average.
- Most households have at least one vehicle, and commuters drive alone to work. Walking to work or taking public transportation is common too.
- Nearly half of the households have children of all ages and are comprised of more single-parent than married-couple families. There are more than three persons per household; the proportion of multigenerational families is twice that of the US.

SOCIOECONOMIC TRAITS

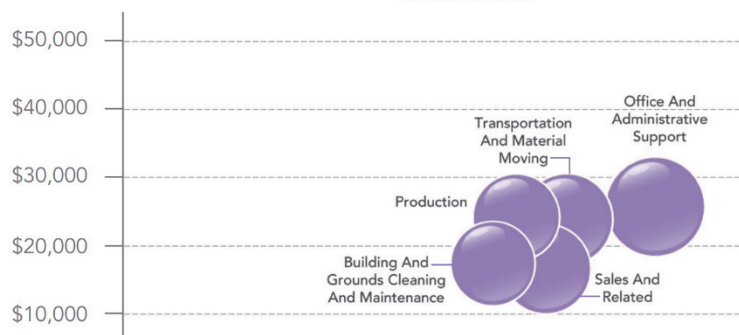
- Nearly one in four is foreign-born, supporting a large family on little income. *Fresh Ambitions* residents live on the edge of poverty but are an ambitious community. They will take on overtime work when they can.
- Unemployment is high for these recent immigrants.
- One in three has overcome the language barrier and earned a high school diploma.
- Price-conscious consumers, they budget for fashion, not branding. However, parents are happy to spoil their brand savvy children.
- These residents maintain close ties to their culture; they save money to visit family, but seek out discount fares over convenience.



Average Rent:
\$857
US Average: \$1,038



Median Earnings



- **City Commons** – This segment reflects a young community, primarily comprised of single-parent and single-person households within metro areas. Many households own either one or no vehicle and use public transit when available. Unemployment is very high, and approximately one quarter have not graduated from high school.



LifeMode Group: Midtown Singles

City Commons

11E

Households: 1,106,600

Average Household Size: 2.67

Median Age: 28.5

Median Household Income: \$18,300

WHO ARE WE?

This segment is one of Tapestry's youngest markets, primarily comprised of single-parent and single-person households living within large, metro cities. While more than a third have a college degree or spent some time in college, nearly a quarter have not finished high school, which has a profound effect on their economic circumstance. However, that has not dampened their aspiration to strive for the best for themselves and their children.

OUR NEIGHBORHOOD

- Single parents (Index 315), primarily female, and singles head these young households.
- Average household size is slightly higher than the US at 2.67.
- *City Commons* are found in large metropolitan cities, where most residents rent apartments in midrise buildings.
- Neighborhoods are older, built before 1960 (Index 151), with high vacancy rates.
- Typical of the city, many households own either one vehicle or none, and use public transportation (Index 292) or taxis (Index 299).

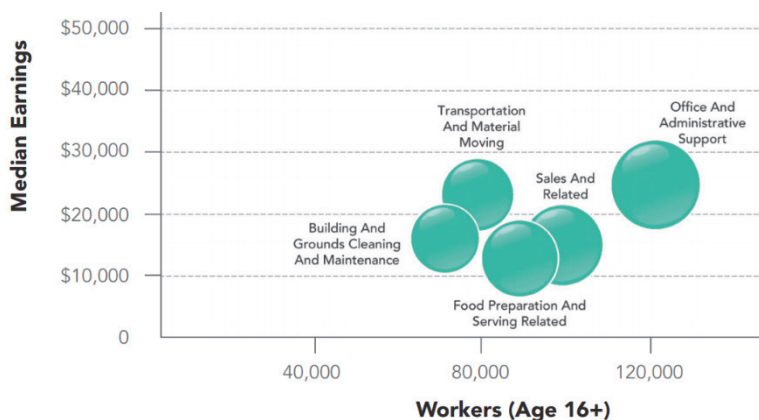
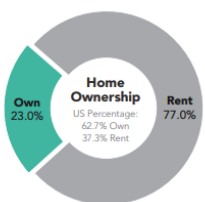
SOCIOECONOMIC TRAITS

- Although some have college degrees, nearly a quarter have not graduated from high school.
- Unemployment is very high at 16% (Index 295); labor force participation is low at 53% (Index 84).
- Most households receive income from wages or salaries, but nearly one in four receive contributions from Social Security (Index 287) and public assistance (Index 355).
- Consumers endeavor to keep up with the latest fashion trends.
- Most families prefer the convenience of fast-food restaurants to cooking at home.



Typical Housing:
Multi-Unit Rentals;
Single Family

Average Rent:
\$658
US Average: \$1,038



Traditional Living – Residents in this younger market are a mix of married-couple families and singles who are new to independent or married living. Manufacturing, retail trade, and health care are the most prevalent sources of employment, and more than three-quarters of these residents have completed high school or have some college. However, unemployment is still higher at approximately 7 percent.



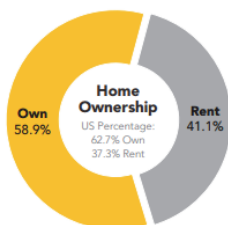
WHO ARE WE?

Residents in this segment live primarily in low-density, settled neighborhoods in the Midwest. The households are a mix of married-couple families and singles. Many families encompass two generations who have lived and worked in the community; their children are likely to follow suit. The manufacturing, retail trade, and health care sectors are the primary sources of employment for these residents. This is a younger market—beginning householders who are juggling the responsibilities of living on their own or a new marriage, while retaining their youthful interests in style and fun.



Typical Housing:
Single Family

Median Value:
\$83,200
US Median: \$207,300



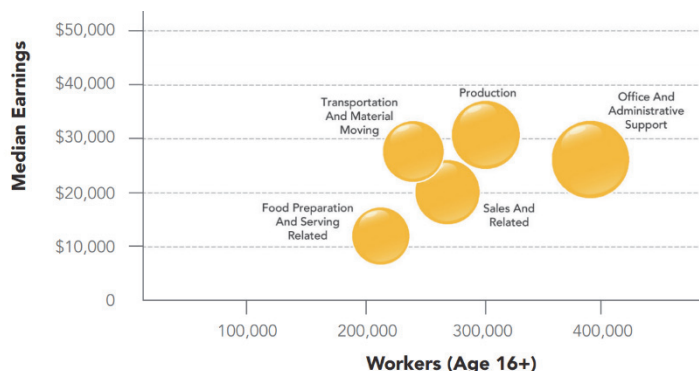
OUR NEIGHBORHOOD

- Married couples are the dominant household type, but fewer than expected from the younger age profile and fewer with children (Index 79); however, there are higher proportions of single-parent (Index 146) and single-person households (Index 112).
- Average household size is slightly lower at 2.51.
- Homes are primarily single family or duplexes in older neighborhoods, built before 1940 (Index 228).
- Most neighborhoods are located in lower-density urban clusters of metro areas throughout the Midwest and South.
- Average commuting time to work is very short (Index 22).
- Households have one or two vehicles.

SOCIOECONOMIC TRAITS

- Over 70% have completed high school or some college.
- Unemployment is higher at 7.3% (Index 134); labor force participation is also a bit higher at 63.4%.
- Almost three quarters of households derive income from wages and salaries, augmented by Supplemental Security Income (Index 139) and public assistance (Index 152).
- Cost-conscious consumers that are comfortable with brand loyalty, unless the price is too high.
- Connected and comfortable with the Internet, they are more likely to participate in online gaming or posting pics on social media.
- TV is seen as the most trusted media.

Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfR, MRI.



Population Trends

A primary factor in measuring the depth of a retail or commercial market is assessing population trends. The local population represents the primary consumers of goods and services that could be offered in the trade area, as well as the local workforce that could potentially be tapped to support retail, commercial, or industrial development.

As the State Capital and regional employment hub for Central Pennsylvania, the City of Harrisburg enjoys a large residential population and a large day-time population comprised of weekday commuters. The South Allison Hill neighborhood, however, is primarily residential and does not witness the surge in daytime population when compared to the downtown and other sections of the City. In 2017, the South Allison Hill trade area was home to 12,956 residents, which is approximately 25.7 percent of the City of Harrisburg's 50,368 residents. During the day, the population in the South Allison Hill trade area falls to 8,414 as residents commute outside the neighborhood for work. In comparison, the City has a daytime population of 94,332, including 64,777 workers mainly concentrated in the downtown.

The South Allison Hill trade area is projected to experience a 3.1 percent increase in population between 2010 and 2022, while the City of Harrisburg is projected to increase by 3.4 percent. The residential population in the Harrisburg-Carlisle MSA is projected to increase by 8.8 percent during the same time, demonstrating population growth is primarily occurring in the suburban areas of the MSA. Overall, 3.4 percent growth over a 12-year period is nominal but is still positive for the City as it represents continued population growth since 2000.

Table 1: Population Trends

Market Area	2010 (Actual)	2017 (Actual)	2022 (Projected)	% Change (2010-2022)
South Allison Hill	12,721	12,956	13,121	3.1%
Harrisburg City	49,528	50,368	51,188	3.4%
Harrisburg Carlisle MSA	549,475	576,957	597,681	8.8%

Source: ESRI Business Information Systems

Table 2: Household Trends

Market Area	2010 (Actual)	2017 (Actual)	2022 (Projected)	% Change (2010-2022)
South Allison Hill	4,131	4,159	4,199	1.7%
Harrisburg City	20,605	20,921	21,268	3.2%
Harrisburg Carlisle MSA	222,281	233,352	241,752	8.8%

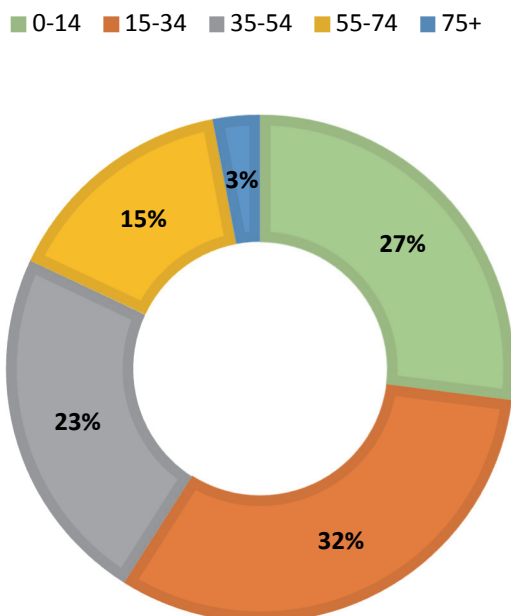
Source: ESRI Business Analyst

Population by Age

Based on 2017 estimates, the median age of the population in the South Allison Hill trade area is 29.1 years, compared to the City of Harrisburg and the greater Harrisburg-Carlisle MSA which have median population ages of 33.6 and 41.2 respectively. Residents in the South Allison Hill trade area are younger than those in the surrounding areas and represent a concentration of young families.

Shown in Table 3, all three areas (South Allison Hill trade area, City of Harrisburg, and Harrisburg-Carlisle MSA) are anticipated to see increases in residents between the ages of 25-44. Additionally, the 55-85+ age group is also projected to increase, reflecting the natural aging of Baby Boomer generation.

Figure 2: South Allison Hill Trade Area Age Distribution, 2017



Source: ESRI Business Analyst

Table 3: Change in Age Distribution

Age Distribution Change from 2010-2022 Projected	South Allison Hill	Harrisburg City	Harrisburg Carlisle MSA
Total Count (2022)	13,121	51,189	597,681
Median Age in 2022	29.1	33.6	41.2
0 - 4	-35	-222	-827
5 - 9	94	170	-155
10 - 14	101	151	1,392
15 - 19	-280	-562	-1,169
20 - 24	-161	-370	441
25 - 34	318	430	4,906
35 - 44	37	226	3,521
45 - 54	-276	-1,118	-11,290
55 - 64	232	370	9,558
65 - 74	320	2,035	29,088
75 - 84	49	530	9,294
85+	1	21	3,447

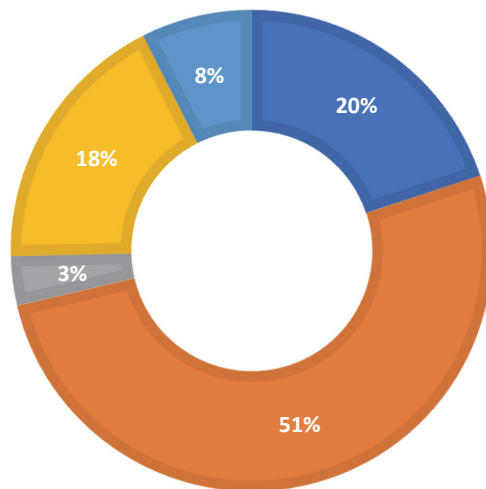
Source: ESRI Business Analyst

Population by Race and Ethnicity

U.S. Census Bureau data reflects the race or races with which residents most closely identify. Based on 2017 estimates, 51.3 percent of residents in the South Allison Hill trade area identify as Black Alone and 20.1 percent identify as White Alone. Approximately 35.1 percent of residents reported a Hispanic origin. This racial and ethnic identification is similar to the City of Harrisburg but differs greatly from the Harrisburg-Carlisle MSA which has a racial and ethnic identification distribution of 10.4 percent Black Alone and 81.1 percent White Alone.

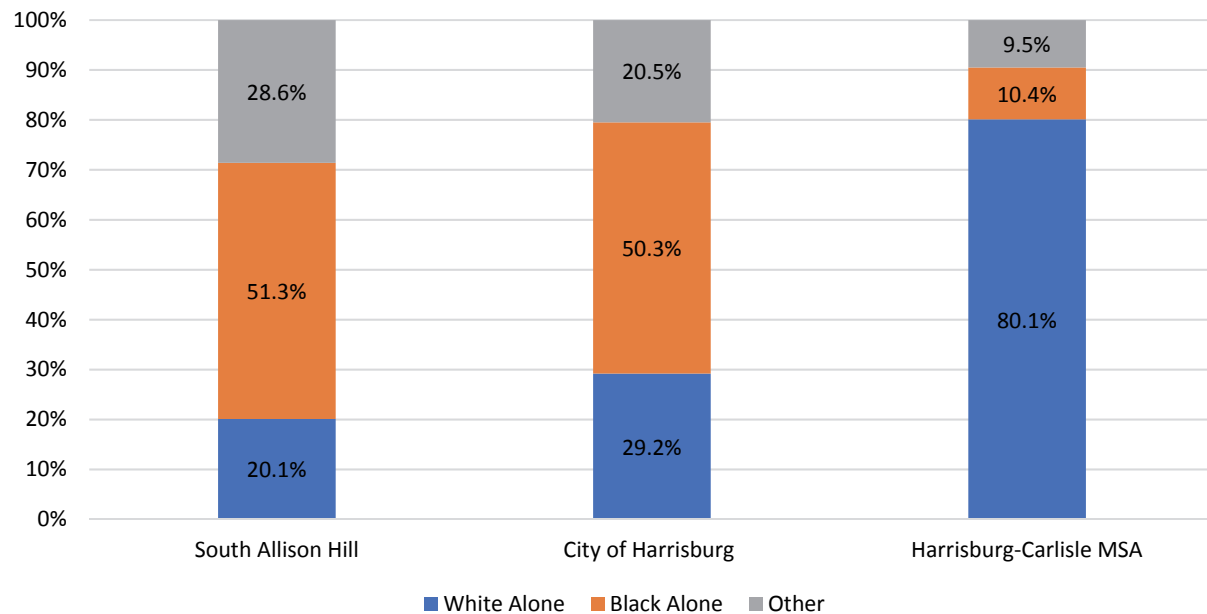
Figure 3: South Allison Hill Trade Area Population by Race, 2017

■ White Alone ■ Black Alone ■ Asian Alone
■ Some Other Race Alone ■ Two or More Races



Source: ESRI Business Analyst

Figure 4: Population by Race, 2017

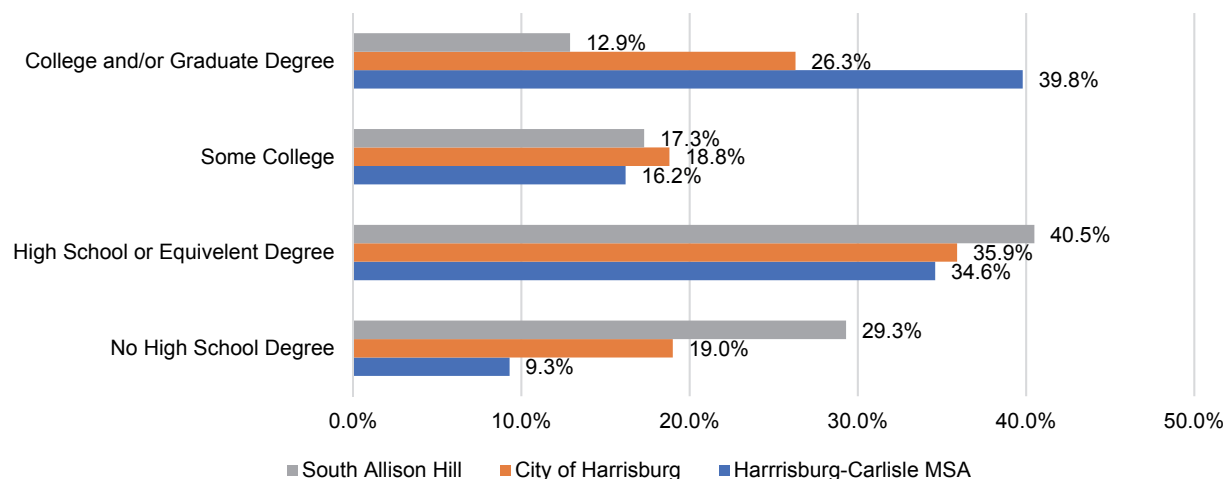


Source: ESRI Business Analyst

Education

The South Allison Hill trade area has lower educational attainment when compared to the City and region. Based on 2017 estimates, approximately 70 percent of residents have earned either a high school diploma or GED, and approximately 13 percent have completed a college or professional degree. At the regional level, more than 90 percent of residents in the Harrisburg-Carlisle MSA have completed high school or the equivalent, and nearly 40 percent of residents hold a college or professional degree.

Figure 5: Highest Level of Educational Attainment, 2017



Source: ESRI Business Analyst

Households

A household is an occupied housing unit and household type is identified by the presence of relatives and the number of persons living in the household.

- Family households, with or without children, include married couples and other families such as single parent households.
- Non-family households represent households where unrelated persons are living together or a single person is living alone.
- Group quarters refers to a place where people live or stay in a group living arrangement that is owned or managed by an entity or organization providing housing and/or services for the residents. Group quarters include places such as college residence halls, residential treatment centers, skilled nursing facilities, group homes, military barracks, correctional facilities, and workers' dormitories. People living in group quarters are usually not related to each other.

As of 2017, there were a total of 4,159 households in the South Allison Hill trade area with an average household size of 3.04. Of these households, 83 percent were family households, many of which are multigenerational families. Another 15 percent were non-family households and less than three percent were in group quarters.

Table 4: Household Type, 2017

	South Allison Hill	City of Harrisburg	Harrisburg-Carlisle MSA
Total Households	4,159	20,921	233,352
In Family Households	82.6%	73.0%	78.5%
In Non-Family Households	14.9%	25.0%	17.8%
In Group Quarters	2.5%	2.0%	3.7%

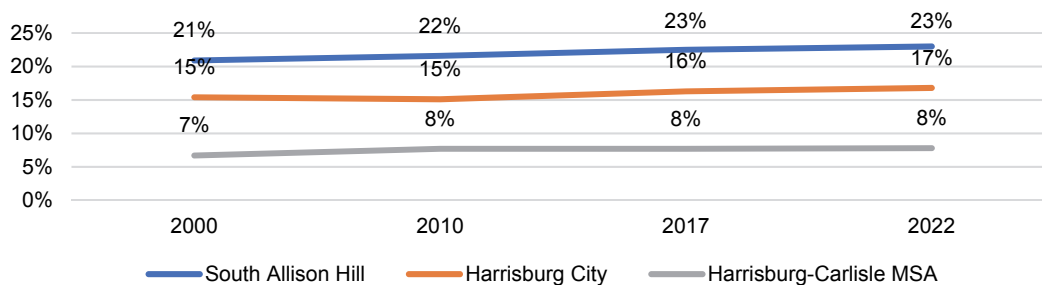
Source: ESRI Business Analyst

Housing

Between 1990 and 2000, the City of Harrisburg experienced a loss of 276 housing units followed by an additional loss of 45 units between 2000 and 2010. Since 2010, Harrisburg's housing stock has increased by 1,501 units (approximately 6 percent). Despite this increase, this has been accompanied by increasing vacancy rates indicating Harrisburg's increased supply has outpaced its demand and/or the types of housing available do not match the demand for different types of housing stock. This could be indicative of price/rent, size, and/or housing obsolescence.

In 2017, approximately half of all housing units in the South Allison Hill trade area were renter-occupied (50.8 percent). While a mix of both owned and rented homes is necessary to serve a diverse population in any community, homeownership generally encourages better home maintenance and fewer blighted homes compared to rental properties in the same area. Another contributing factor to urban blight is housing vacancy. In 2017, the South Allison Hill trade area had a vacancy rate of 22.5 percent, compared to 7.7 percent in the MSA.

Figure 6: Housing Vacancy Trends



Source: ESRI Business Analyst

Among owner-occupied housing units in the South Allison Hill trade area, 46.1 percent of homes had values ranging from \$50,000 to \$99,999 and 26.6 percent were valued at less than \$50,000. Table 5 depicts the value of owner-occupied housing units for the South Allison Hill trade area, City of Harrisburg, and the MSA.

Table 5: Owner-Occupied Housing Units by Value, 2017

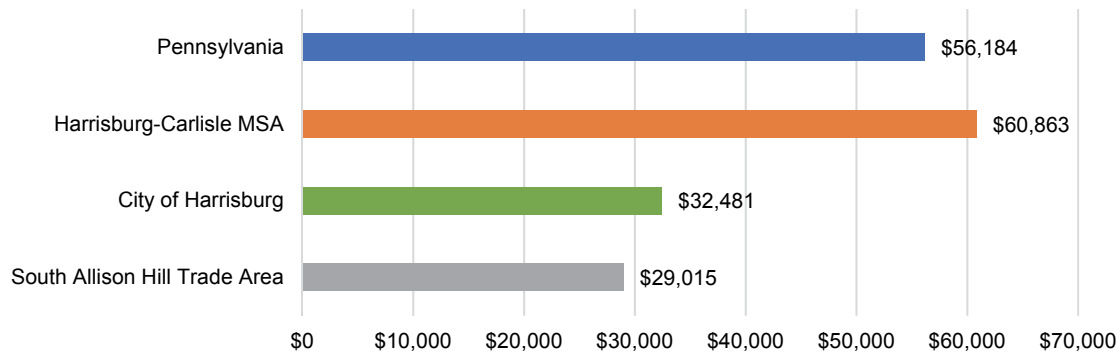
	South Allison Hill Trade Area	City of Harrisburg	Harrisburg-Carlisle MSA
Total Number of Housing Units	1,433	7,581	156,585
<\$50,000	26.6%	11.8%	4.5%
\$50,000 - \$99,999	46.1%	43.1%	9.3%
\$100,000 - \$149,999	9.7%	20.7%	20.0%
\$150,000 - \$199,999	9.1%	13.1%	23.8%
\$200,000 - \$249,999	3.8%	5.9%	14.2%
Average Home Value	\$92,715	\$117,821	\$221,717

Source: ESRI Business Analyst

Income and Poverty

Median household income, and changes in median household income over time, can provide insight into the potential spending power of consumers in an area. The South Allison Hill trade area had a median household income of \$29,015 in 2017. In comparison, the City of Harrisburg had a median household income of \$32,481, the Harrisburg-Carlisle MSA had a median household income of \$60,863, and the statewide median household income was \$56,184. In comparison to the region and state, consumer spending power in the City of Harrisburg is low. For this reason, attracting specific retail store types to the City of Harrisburg can be difficult, especially in the City's low-income neighborhoods like South Allison Hill.

Figure 7: Median Household Income, 2017



Source: ESRI Business Analyst

The City of Harrisburg also has a higher poverty rate than the MSA and state. Based on U.S. Census data, the City has a 31.7 percent poverty rate, compared to the statewide average rate of 12.9 percent. In the Harrisburg-Carlisle MSA, the Median Family Income is \$75,200. HUD defines areas of low-income, very low income, or extremely low income based on the area mean income. For a family of three, which is the average household size in the South Allison Hill trade area, the range is \$20,780 (extremely low income) to \$54,150 (low income). **With a median household income of \$29,015 in 2017, the trade area is defined as a very-low income area based on federal criteria.**

Figure 8: HUD Income Limits for Low Income Households, Harrisburg-Carlisle MSA, 2018

FY 2018 Income Limit Area	Median Family Income Explanation	FY 2018 Income Limit Category	Persons in Family							
			1	2	3	4	5	6	7	8
Harrisburg-Carlisle, PA MSA	\$75,200	Very Low (50%) Income Limits (\$) Explanation	26,350	30,100	33,850	37,600	40,650	43,650	46,650	49,650
		Extremely Low Income Limits (\$)* Explanation	15,800	18,050	20,780	25,100	29,420	33,740	38,060	42,380
		Low (80%) Income Limits (\$) Explanation	42,150	48,150	54,150	60,150	65,000	69,800	74,600	79,400

NOTE: Dauphin County is part of the **Harrisburg-Carlisle, PA MSA**, so all information presented here applies to all of the **Harrisburg-Carlisle, PA MSA**.

Source: <https://www.huduser.gov/portal/datasets/il/il2018/2018summary.odn>

Retail Gap Analysis

Overview

A retail gap analysis is a tool used to better understand the potential for new retail and restaurants in a community. The analysis compares the supply, represented by the number of sales to customers, and demand, represented by consumer spending. The data can show a “leakage” (where residents are leaving the community for their shopping needs) and a “surplus” (where stores within an area are drawing customers from outside the community to shop).

Table 6 shows which sectors have retail leakage (where residents are leaving the neighborhood to shop elsewhere). Table 7 shows the sectors that are drawing outside customers into the neighborhood for specific retail.

Table 6: South Allison Hill Trade Areas Leakage (Market Opportunity)

	Demand	Supply	Retail Gap
General Merchandise	\$8,197,116	\$1,069,164	\$7,127,952
Food & Beverage Stores	\$14,296,330	\$9,433,204	\$4,863,126
Grocery Stores	\$13,037,081	\$9,216,065	\$3,821,016
Clothing & Clothing Accessories Stores	\$4,228,622	\$211,314	\$4,017,308
Restaurants/Other Eating Places	\$7,002,872	\$3,200,066	\$3,802,806
Building Materials, Garden Equipment & Supply Stores	\$3,860,335	\$354,756	\$3,505,579
Sporting Goods, Hobby, Book & Music Stores	\$2,155,841	\$0	\$2,155,841
Beer, Wine & Liquor Stores	\$584,378	\$0	\$584,378
Specialty Food Stores	\$674,871	\$217,139	\$457,732

Source: ESRI Business Analyst

Table 7: South Allison Hill Trade Areas Surplus

	Demand	Supply	Retail Gap
Motor Vehicle & Parts Dealers	\$14,948,791	\$35,814,436	-\$20,865,645
Other Miscellaneous Store Retailers	\$2,104,175	\$22,822,605	-\$20,718,430
Miscellaneous Store Retailers	\$3,229,494	\$22,822,605	-\$19,593,111
Electronics & Appliance Stores	\$2,386,606	\$16,596,994	-\$14,210,388
Home Furnishings Stores	\$1,022,325	\$2,592,069	-\$1,569,744
Drinking Places - Alcoholic Beverages	\$399,710	\$1,060,864	-\$661,154
Health & Personal Care Stores	\$4,396,946	\$4,447,283	-\$50,337

Source: ESRI Business Analyst

Retail Growth Potential

While leakage by retail store type has been identified, additional analysis was conducted to determine the overall carrying capacity of the South Allison Hill trade area to support additional establishments. This analysis was accomplished by analyzing average establishment size, average sales by establishment, and average sales per square foot for each retail store type exhibiting a leakage. Please note there is major variation of sales for individual store brands within each retail store type. While the “Additional Establishments Supported” is a guide based upon average retail store type size, there is considerable range in most retail store type categories and therefore more emphasis should be placed upon additional square feet supported.

Based upon existing conditions, the South Allison Hill trade area can support approximately 72,000 square feet of additional retail. Based on the average establishment size, average sales by establishment, and average sales per square foot for each retail store type, the trade area may be able to currently support one additional clothing store and one additional restaurant (see Table 8).

Table 8: Additional Square Feet of Retail Supported, South Allison Hill Trade Area, 2017

NAICS Industry Summary	NAICS	Supply (Retail Sales)	Retail Gap	Additional Square Feet Retail Supported	Additional Establishments Supported
Furniture Stores	4421	\$1,543,650	-\$59,898	0	0.0
Home Furnishings Stores	4422	\$2,592,069	-\$1,569,744	0	0.0
Electronics & Appliance Stores	4430	\$16,596,994	-\$14,210,388	0	0.0
Bldg Material & Supplies Dealers	4441	\$183,538	\$3,379,975	10,196	0.1
Lawn & Garden Equip & Supply Stores	4442	\$171,218	\$125,604	377	0.0
Grocery Stores	4451	\$9,216,065	\$3,821,016	4,635	0.1
Specialty Food Stores	4452	\$217,139	\$457,732	665	0.1
Beer, Wine & Liquor Stores	4453	\$0	\$584,378	2,117	0.5
Health & Personal Care Stores	4461	\$4,447,283	-\$50,337	0	0.0
Clothing Stores	4481	\$0	\$2,914,096	8,884	1.4
Shoe Stores	4482	\$211,314	\$434,407	1,361	0.2
Jewelry, Luggage & Leather Goods Stores	4483	\$0	\$668,805	760	0.2
Sporting Goods/Hobby/Musical Instr Stores	4511	\$0	\$1,852,277	7,591	0.1
Book, Periodical & Music Stores	4512	\$0	\$303,564	1,234	0.0
Department Stores Excluding Leased Depts.	4521	\$1,069,164	\$7,127,952	23,143	0.2
Other General Merchandise Stores	4529	\$5,795,848	-\$2,732,367	0	0.0
Florists	4531	\$0	\$125,042	450	0.4
Office Supplies, Stationery & Gift Stores	4532	\$0	\$707,599	1,730	0.1
Used Merchandise Stores	4533	\$0	\$292,678	811	0.1
Other Miscellaneous Store Retailers	4539	\$22,822,605	-\$20,718,430	0	0.0
Drinking Places - Alcoholic Beverages	7224	\$1,060,864	-\$661,154	0	0.0
Restaurants/Other Eating Places	7225	\$3,200,066	\$3,802,806	8,324	1.1
Additional Square Feet of Retail that can be Supported				72,279	

Source: ESRI Business Analyst; Michael Baker International

Employment Trends

When assessing the dynamics of a local economy, one of the most important factors is whether the area has experienced growth in its economic base. Accordingly, past, current, and projected employment data from the U.S. Census Bureau and the Pennsylvania Department of Labor was reviewed for the Harrisburg-Carlisle MSA. Please see page 20 for an overview of the Harrisburg-Carlisle MSA employment trends by industry.

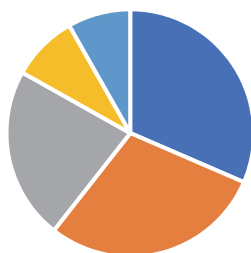
Employment by Industry Sector

Within the Harrisburg-Carlisle MSA overall, the top industry sectors for employment are Health Care & Social Assistance and Public Administration. As in the Harrisburg-Carlisle MSA, the Health Care & Social Assistance sector has been rapidly increasing across the country. In fact, employment in Health Care & Social Assistance among residents of the MSA has been steadily increasing since 2001, suggesting increased demand for corresponding medical, laboratory, and medical office space. The considerable number of Public Administration employment is driven by the State Capitol Complex located in Harrisburg. However, this sector has seen employment decline over recent years, with a reduction of 3,238 employees (about a 10 percent decrease) since 2010.

A few sectors, including Manufacturing and Transportation, dipped in employment levels in 2010, most likely due to the national recession, but are showing rebounds. In addition to Public Administration, sectors such as Retail Trade, Finance and Insurance, and Education have shown stagnant or negative growth since 2010.

Table 9: Harrisburg-Carlisle MSA Employment Trends by Industry

Harrisburg-Carlisle MSA
Top 5 Industries for Growth
2010-2015



- Health Care and Social Assistance
- Administrative and Waste Services
- Transportation and Warehousing
- Manufacturing

Industry	2001	2005	2010	2015	Change 2010-2015
Total, All Industries	304,221	309,566	303,912	316,000	12,088
Health Care and Social Assistance	37,146	39,180	41,253	46,325	5,072
Administrative and Waste Services	12,640	15,216	15,496	20,184	4,688
Transportation and Warehousing	22,914	22,888	22,459	26,091	3,632
Manufacturing	28,936	25,141	19,989	21,382	1,393
Professional and Technical Services	12,538	14,161	14,256	15,580	1,324
Accommodation and Food Services	19,655	22,123	22,852	24,098	1,246
Other Services, Ex. Public Admin	9,554	10,413	10,312	10,997	685
Real Estate and Rental and Leasing	2,808	3,328	2,821	3,057	236
Arts, Entertainment, and Recreation	n/a	5,586	7,663	n/a	n/a
Management of Companies	5,238	5,871	n/a	n/a	n/a
Mining, Quarrying, and Oil & Gas	n/a	n/a	n/a	n/a	n/a
Utilities	1,659	n/a	1,111	n/a	n/a
Wholesale Trade	12,608	12,822	11,019	10,945	(74)
Retail Trade	33,618	33,039	31,742	31,546	(196)
Construction	12,247	12,212	10,268	10,007	(261)
Agriculture, Forestry, Fishing	1,270	1,191	1,137	778	(359)
Finance and Insurance	21,146	21,087	21,495	20,428	(1,067)
Information	7,809	5,965	5,424	3,963	(1,461)
Educational Services	19,192	20,797	23,159	21,634	(1,525)
Public Administration	37,746	37,368	34,530	31,292	(3,238)

Source: U.S. Census Bureau, Center for Economic Studies

Trade Area Employment

Historically, the City of Harrisburg's industries expanded northward along Paxton Creek from the Susquehanna River. Originally, small manufacturers clustered along Paxton Creek for water power, but by the early 1800s its function changed from power to transportation. The Pennsylvania Canal (begun in 1826) first supported and encouraged industries, and later the Pennsylvania Railroad (in 1836) spurred development within the corridor for about 150 years as the backbone of industrial activity that included brickworks, tanneries, and steelworks. According to the City's planning documents, heavy industry began to decline after the 1920's and by the 1970's much of the land area of the Paxton Creek valley was abandoned buildings or vacant land. In 1972, flooding caused by Hurricane Agnes devastated much of the City and wiped out most of the remaining businesses along the Paxton corridor.

In more recent years, the South Allison Hill trade area has lost approximately 1,323 local jobs within the area since 2005. Today, approximately 2,006 workers travel into the trade area to work (considered an inflow), while 3,945 residents leave the area to work (outflow). Fewer than 125 residents both live and work in the trade area.

Figure 9: Job Inflow and Outflow in South Allison Hill, 2005 (Left) and 2015 (Right)



Source: U.S. Census Bureau, Center for Economic Studies

Stakeholder Interviews

Findings

In June and July 2018, stakeholder interviews were conducted to better understand the current market and opportunities for investment and growth. Qualitative information from stakeholders is an important mechanism to add context to quantitative data and helps provide a comprehensive understanding of local trends.

Based on the Steering Committee's direction to create local, family sustaining jobs, the interviews were tailored to uncover trends surrounding local employment, including:

- Existing jobs located within the community and information surrounding the local workforce;
- Barriers to employment for South Allison Hill residents;
- Industrial real estate trends in Central Pennsylvania, and;
- Local programs supporting workforce development.

A summary of key findings from the stakeholder interviews are provided below.

The South Allison Hill location is positive for existing businesses.

- The neighborhood has convenient access to the regional transportation network.
- Despite poor perceptions of the neighborhood (e.g., crime), existing businesses interviewed reported no crime/vandalism issues.
- Employees do use public transit, but bus routes do not run frequently enough, stifling transit use. This is an opportunity for improvement in coordination with CAT.

The experience of local businesses suggests challenges with hiring local residents in the neighborhood.

- There are existing businesses that offer entry level positions that require no previous skills or training, including goods-producing jobs and service-sector employment.
- It was noted that employers receive job applications from local residents. However, retention is a challenge. Retention problems relate to inconsistency in arriving on-time for work and drug testing policies. A daycare is needed and may alleviate challenges with inconsistency by providing stable childcare.
- Employers expressed there is, while not severe, a lack of qualified employees.

The community needs access to local family sustaining jobs. This was the number one cited area of need heard during the interview process.

- Residents are ethnically diverse and barriers to work include limited educational attainment, language barriers, and ex-convict challenges. This is consistent with the tapestry segmentation findings.
- Many residents work in warehouses and factories along the I-81 corridor and in Derry Township. Some companies provide transit to and from work. However, long commutes erode parents' ability to spend quality time at home with their families. Transportation services cost money in other cases, stretching already low wages.
- Many residents work temporary construction jobs. It is not uncommon for some residents to work 2-3 part-time jobs absent stable, full-time employment.
- Real estate professionals believe the South Allison Hill is suitable for light manufacturing/food processing.
- Manufacturing is vibrant in the Harrisburg region. While warehousing is concentrated along the I-81 corridor, other locations in the Harrisburg/York area are home to light manufacturing and food processing.

- This area has rust belt manufacturing such as tool and die, barrels, locks, food, pet food, etc. This type of manufacturing does not require a high-skilled, educated workforce.
- The Harrisburg region is ideal for manufacturing because of its close proximity to three large rail yards.
- There has been recent food manufacturing interest in South Allison Hill sites, demonstrating market viability for this end-use.
- Manufacturing companies have difficulty finding facilities. Generally, at least 20,000-70,000 square feet is needed.
- Proximity to the highway is not as important for manufacturers, but rather a locality with low taxes is attractive. Zoning also needs to permit manufacturing.
 - Harrisburg has a PA Business Privilege and Mercantile Tax, which may be a barrier.
 - However, Harrisburg property is also cheaper than green sites in other localities.
 - Several of the catalyst sites are designated KOZ sites, offering tax abatement.
- In addition, sites need to have the right amount of power and water supply, especially for food manufacturers.
- Companies look for shovel ready sites. Preparing a site that can accommodate 20,000-70,000 square feet of building space and hiring a broker to market it would be the best prospect of identifying a manufacturing end-user. In addition, zoning would need to be amended to allow manufacturing.

Restaurant and daycare uses are needed. Specialty medical would also serve an existing need in South Allison Hill.

- Specific to Hamilton Health Center, there is an expressed desire to see new restaurants and a grocery store in close proximity to the health center. This would serve Hamilton's 150-200-person workforce over lunch and dinner hours.
- A daycare is also needed and would serve mothers in the neighborhood.
- Specialty medical would be a positive auxiliary use to Hamilton Health Center, which would benefit low-income individuals in the neighborhood. Currently, Hamilton Health Center must refer patients to Cumberland County for specialty healthcare. Patients struggle with transit to these locations as well as language barriers. There is quantified evidence that Hamilton Health Center patients miss a higher percentage of their specialty referral appointments.
- For the above uses, Hamilton Health would serve as an "anchor" end-user, with 200 employees anticipated by 2019 and 28,000 unduplicated patients each year (who visit the health center on average 3 times per year).

Infrastructure improvements are needed to revitalize the South Allison Hill neighborhood.

- There is a need for infrastructure improvements, particularly as it relates to traffic. The neighborhood is used as an entrance and exit from downtown Harrisburg.
- There is a need for new sidewalks which are in poor condition.
- An arborist is needed to help maintain the street trees. Trees have reached their useful life and are overgrown, deteriorating sidewalks with their root systems, and are shading street lights.

Harrisburg Metropolitan Area Cluster Analysis

A cluster analysis provides information on the health of industries that are related to one another in terms of common sales, tier suppliers, or shared labor forces. Analysis of industry clusters provides a better representation of the specializations of the Harrisburg-Carlisle MSA as it considers the complex interlinks between individual industries as opposed to isolating an individual industry group. For example, an industry group may not in itself be a strong performer, but the larger cluster is, and therefore, if the cluster is growing there is still growth potential in that individual industry group. For the purposes of this study, the cluster analysis of the Harrisburg-Carlisle MSA provides a snapshot on the types of businesses that are growing within the region and those that may be more likely to seek opportunity sites that could include those within the South Allison Hill AWP study area.

The chart below shows the top 10 clusters by employment within the Harrisburg-Carlisle MSA. This includes local clusters, who generally serve a local customer base, and traded clusters, who typically serve those outside of the region or are exporting industries. Local clusters indicate areas for continued workforce growth and training focus. Traded clusters are those that result in an influx of wealth into the region. This means that these clusters typically export goods and services or attract tourists and visitors. Those clusters that are specializations mean that the Harrisburg-Carlisle MSA has a higher concentration and specialization in employment in these particular areas compared to the rest of the country. This indicates a strength and a higher concentration of both skilled labor and establishments in that particular industry cluster. The top 10 traded clusters within the region are shown in **Error!**
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Table 10: Top 10 Harrisburg-Carlisle MSA Traded Clusters Ranked by Employment

	Cluster Name	2016 Employment	Traded Cluster	National Rank
1	Business Services	27,119	*	58
2	Distribution and Electronic Commerce	14,786	*	66
3	Insurance Services	8,943	*	47
4	Hospitality and Tourism	8,615		60
5	Education and Knowledge Creation	6,208		80
6	Transportation and Logistics	4,987	*	61
7	Food Processing and Manufacturing	4,556		52
8	Marketing, Design, and Publishing	1,805		82
9	Printing Services	1,573	*	72
10	Plastics	1,369		115

Source: US Cluster Mapping Project. * indicates strong cluster. National rank is out of 917 MSAs.

Traded Clusters

Business Services

Business services traded sub clusters include Corporate Headquarters (ranked 48th in the US), Computer Services (ranked 64th in the US), and Engineering Services (ranked 61st in the US). **Most of these industries typically occupy class A & B office space, which is not available within the study area.**

Office space is typically classified into one of three categories, Class A, Class B or Class C. Although standards may vary across regions generally these mean:

- **Class A:** These are the newest and most high-quality space in the local real estate market. They meet most site selection criteria including easy access, visibility, and professional management.
- **Class B:** These are buildings that have aged over time but still possess easy access, visibility, and professional management. Oftentimes these can be renovated and returned to Class A status.
- **Class C:** This is the lowest classification of office. These are older buildings in non-desirable areas. They are often in need of extensive renovation and are often obsolete. These have the lowest rental rates, stay on the market the longest, and are often targets for redevelopment.

Distribution and Electronic Commerce

Distribution and Electronic Commerce sub clusters include Warehousing and Storage, Wholesale, Electronic and Catalog Shopping, Rental and Leasing, and Support Services. The Harrisburg-Carlisle MSA has the following traded sub clusters, Warehousing and Storage (ranked 30th in the US), Wholesale of Electrical and Electronic Goods (Ranked 54th in the US), Electronic and Catalog Shopping (Ranked 60th in the US), Wholesale Trade Agents and Brokers (Ranked 65th in the US), Support Services (Ranked 50th in the US), and Wholesale of Paper and Paper Products (Ranked 61st in the US).

According to CoStar, there have been continuing shifts in the types of facilities demanded within this cluster. There has been a rebound of warehousing and logistics within the Eastern US, which is seen with the increase throughout the Harrisburg region. Furthermore, the size and type of structures continue to shift. Standard warehousing is typically multi-story and around 50,000 square feet, while most distribution and logistics centers are now well above 250,000 square feet. Other trends include the need for deepening truck courts, higher ceilings, and an increase in office and mezzanine space. **The types of structures within the study area generally would not support modern warehousing needs, although may be adapted for smaller operations that do not require extensive logistics or large truck access loading facilities.**

Insurance Services

Insurance Services includes the sub clusters of Insurance Carriers, Insurance Related Services, and Reinsurance Carriers. Insurance Carriers are considered a traded service within the Harrisburg-Carlisle MSA ranking 45th in the US. **Larger insurance offices and support services typically require class A & B office space which is not available within the study area.**

Transportation and Logistics

Transportation and Logistics traded sub clusters include Trucking (ranked 47th in the US) and Ground Transportation Support Activities (ranked 61st in the US). Most employment is in long-haul full-truckload general freight trucking. **These facilities require large lots for the storage and maintenance of semi tractor-trailers and are typically located closer to inter-modal facilities or major interstates.**

Printing Services

Printing Services ranks 70th in the US. Most of the employment is in Commercial Gravure Printing with an average employment of over 50 employees per establishment. Gravure printing is typically cost effective for long print runs which generate the need for on-site storage and distribution space. Businesses can be between 30,000 – 100,000 square feet or larger and require access to major highways. **Current structures within the study area would not be sufficient to house the equipment and storage space required of this type of large scale printing facility due to both the size of machinery and on-site storage needs for raw and finished material.**

Non-Traded Clusters

Hospitality and Tourism

The Hospitality and Tourism cluster includes sub clusters of Accommodations and Related Services, Amusement Parks and Arcades (ranks 19th within the US), Spectator Sports (ranked 25th in the US), Cultural and Educational Entertainment, Tourism Related Services, Other Tourism Attractions, and Gambling Facilities. The major rankings are mainly due to the proximity of Hersheypark in Derry Township. The largest sub cluster, Accommodations and Related Services, includes major hotels and motels. Most major hotels have site selection criteria that include accessibility to major attractions and/or transportation hubs/connectivity, visibility, local attractions, restaurants and shopping, a safe area, and an economically healthy community. **The current study area lacks the employment, shopping, and restaurant draws to attract hospitality in the short-term. Expansion of local medical providers and improvement of the neighborhood may make the study area more viable in the future for hospitality.**

Education and Knowledge Creation

Sub clusters of Education and Knowledge Creation include Colleges, Universities and Professional Schools, Professional Organizations (ranked 32nd in the US), Training Programs, Research Organizations, and Educational Support Services. Most employment in this area is located in Cumberland County. **Professional Organizations within the Harrisburg-Carlisle MSA average 9 – 10 employees and typically are located within existing class A or B office space.**

Food Processing and Manufacturing

Traded sub clusters within the Food Processing and Manufacturing cluster include Candy and Chocolate (ranked 7th within the US) and Malt Beverages (ranked 46th in the US). Much of the employment in Candy and Chocolate is located at the Hershey Co West Hershey Plant. **The Malt Beverages (ranked 46th in the US) employment is mainly in local craft breweries located within the immediate Harrisburg area. The study area could lend itself to this type of operation due to the size of lots that can be redeveloped and some existing buildings that could be retrofitted for these operations.** According to the American Institute of Architects, microbreweries typically require ceiling heights of 15 feet or greater with adequate available space for the placement of inventory storage and distribution operations. Furthermore, most breweries should consider additional excess space for expansion, an often-overlooked factor. Other major sub clusters include Dairy Products, Animal Foods, Specialty Foods and Ingredients, and Baked Goods. Most employment in Dairy is located within Cumberland County in Dry, Condensed and Evaporated Dairy Product Manufacturing and Cheese Manufacturing.

The vast majority of employment within Specialty Foods and Ingredients is in Perishable Prepared Food Manufacturing and is located in the immediate Harrisburg area. This industry includes the manufacture of salads, sandwiches, prepared meals, fresh pizza, fresh pasta, and peeled or cut vegetables (NAICS 311911). Mid to small cap manufacturers in this industry typically are driven to relocate within a 6-12 month timeline typically because of new orders, venture capital requirements, or need for additional space (CBRE). Most are attracted to existing 2nd generation plants that already possess the infrastructure necessary to ramp up operations. According to CBRE, these facilities are on the order of magnitude of 4 to 7 times less in cost than building a new facility. Transportation costs also may outweigh real estate costs. Proximity to either raw materials or efficient routes to market are essential. **Most existing buildings within the study area would not be suitable for food operations or would require extensive retrofits to make economically competitive for smaller manufacturers. Investments in these retrofits, or assemblage of raw and immediately developable property, can lower overall development costs and meet quick ramp-up times (time from site selection decision to operational business) most of these businesses require.**

Marketing, Design and Publishing

This includes the sub clusters of Publishing, Other Marketing Related Services, Advertising Related Services, and Design Services. **Although employment is distributed throughout the Harrisburg-Carlisle MSA, most industries within this cluster require Class A or B office space, which is not available within the study area.**

Plastics

The plastics cluster within the Harrisburg-Carlisle MSA includes All Other Plastics Product Manufacturing, Plastics Pipe and Pipe Fitting Manufacturing, and Urethane and other Foam Product Manufacturing. Most of these industries create intermediate or final products from plastics resins such as compression molding, extrusion molding, injection molding, blow molding, and casting. All Other Plastics Product Manufacturing employs the most individuals with the typical establishment being 60 to 90 employees. **These establishments can be anything from 3D printing and CNC operations to higher impact manufacturing that may not be compatible with the study area. Smaller operations that do not create substantial amounts of noise or emissions would be good candidates for the study area and often can be housed with less tenant improvements needed than other business types.**

Cluster Analysis Conclusions

Overall, the cluster analysis shows significant employment concentration and specialization (higher concentration than the nation, on average) within the Harrisburg-Carlisle MSA. These include:

1. Business Services;
2. Distribution and Electronic Commerce;
3. Insurance Services;
4. Transportation and Logistics; and
5. Printing Services.

From a site selection standpoint, warehousing and logistics continues to evolve and building envelopes and sites require more and deeper truck bays, higher ceilings, office and mezzanine space, and building sizes that would exceed the capacity of catalyst sites identified within the South Allison Hill AWP study area.

In addition to these specialized clusters, other top 10 clusters that typically are more locally serving (as their employment concentration within each cluster is less than the national average, based upon employment) include ("*" denotes traded sub clusters):

1. Hospitality and Tourism*;
2. Education and Knowledge Creation;
3. Food Processing and Manufacturing*;
4. Marketing, Design and Publishing; and
5. Plastics.

It should be noted that the sub-cluster of Amusement Parks (due to Hersheypark), Candy and Chocolate Manufacturing (due to Hershey's West Hershey Plant), and Malt Beverage Manufacturing (specifically microbreweries), have higher concentrations of employment on average and are either attracting tourists or exporting products.

Economic Development Opportunities

Areas of Food Processing and Manufacturing, especially *Perishable Prepared Goods Manufacturing*, are possible opportunities, especially for small and mid-cap companies looking for relocation space. It is important to note that the study area does not currently offer ready facilities with the proper equipment, ventilation, and sterilization, which is vital when ramp up periods are 6 to 12 months. A concentrated effort on providing these types of facilities will be needed to better attract these types of businesses.

Malt Beverage manufacturing, specifically microbreweries, are a burgeoning business nationwide, and there is a higher concentration of employment within the Harrisburg-Carlisle MSA. These establishments are typically small and often fit the size of some of the catalyst sites within the South Allison Hill AWP study area. It is important to note that ceiling heights, warehousing space, and distribution area is important as part of the building envelope.

All other plastics, is a large swath of businesses that create final materials from plastic resins. While some businesses are quite large and are considered heavy industry (not compatible with the study area), smaller operations can be a good fit for existing structures and sites within the study area.

The City's land use policies should be reevaluated to ensure they support a full range of opportunities related to redevelopment, including industrial uses. Ultimately, allowing flexibility for market opportunities is important to attract new uses. Further, design standards can ensure appropriate buffers to enable industrial uses to coexist with commercial and residential uses.

Markerspaces

Makerspaces have gained increasing importance as a tool for communities to revitalize neighborhoods, create a destination for residents, and provide space and support for up-and-coming entrepreneurs. Makerspaces are generally defined by their goal of providing shared access to space, equipment, and support programs for entrepreneurs in developing their businesses. Economic development is founded upon encouraging entrepreneurship, increasing workforce retention, supporting small business growth, and providing workforce training. Makerspaces can encourage these principles and help reduce the risk of new businesses by providing access to resources and a physical work space. A common theme surrounding successful makerspace creation is an organized plan laid out by governmental, non-profit, business, and neighborhood leaders, which often includes a survey of individuals potentially interested in participating in or supporting the makerspace.

In terms of economic development, makerspaces can be limited by small memberships and the need for ongoing subsidy funding. Currently, there isn't robust data available on their overall effectiveness due to their relatively recent development. However, successful case studies include Hot Bread Kitchen in New York City and NewBo City Market in Cedar Rapids, IA.

Disclaimer: Please be advised that the case studies presented below are for illustrative purposes only and have not been analyzed to compare the market conditions of the case studies to the market conditions in South Allison Hill. This market analysis makes not assertion regarding the market potential in South Allison Hill for makerspaces but recognizes a makerspace may part of a broader strategy for redeveloping the catalysts sites.

THE ROLE OF INDUSTRIAL USES IN URBAN AREAS

Underappreciated is the fact that manufacturing and other industrial activities are part of that "right balance," and **they are more able than retail and most service jobs to provide a middle-income standard of living...** for smart growth to benefit city populations more broadly, [communities] need a deeper appreciation of urban manufacturing and industry to inform more effective policy and practice.

Sustainable Urban Industrial Development, APA, 2014

Hot Bread Kitchen: New York City, NY²

Hot Bread Kitchen was started in 2008 alongside the increasing trend of non-profit kitchens that simultaneously serve as training centers and commercial businesses. Based in East Harlem, Hot Bread Kitchen provides shared commercial kitchen space and business support for up to 40 prospective entrepreneurs through an incubator program, mitigating the capital-intensive start-up costs associated with the culinary industry. Instead of buying equipment and renting space, members instead pay a fee to utilize the kitchen's resources. These resources include a commercial kitchen spanning 3,000+ square feet, featuring nine different cooking spaces; dry, cold, and freezer storage; a bakery; event space; and 24/7 access for clients. Monthly business workshops and one-on-one business advising are also provided.



Additionally, the non-profit provides a means for the disadvantaged to become financially independent, with an established goal of recruiting 30 percent of shared space members from low-income households and subsidizing their use of the incubators resources. Hot Bread Kitchen also operates an Entrepreneurial Assistance Program that provides instruction, training, and assistance to individuals who are not part of the incubator, as well as the Bakers-in-Training program. Bakers-in-Training is a six-month long paid training program aimed at female immigrants, where trainees learn artisan bread baking alongside bakery math, bakery science, and using English in a work environment. The trainees produce bread that Hot Bread Kitchen sells, and after graduation the women have a 100% success rate in landing full-time positions. Since the program began, over 180 women from 38 different countries have been trained.

Hot Bread Kitchen is located in La Marqueta, a historic marketplace that had previously struggled to retain vendors. The marketplace was renovated with \$1.5 million in New York City Council funds, and the New York City Economic Development Corporation and New York City Council envisioned securing a culinary incubator to serve as the anchor tenant. A request for proposals for businesses to operate the large kitchen space was issued, and in 2010, Hot Bread Kitchen was chosen to occupy the space. Hot Bread Kitchen is funded through its commercial operations and by philanthropic support. About 65% of its operating budget is raised through kitchen rentals and bread sales. Corporate and individual donations supporting Hot Bread Kitchen's training and educational programs provide the rest of the annual budget. According to data published in 2016, the non-profit's annual budget was just over \$5 million, with 36 full-time employees and 42 part-time employees.

² Harlem's Hot Bread Kitchen Trains Immigrant and Low-Income Women For Culinary Careers, WPIX, 2017

HBK Incubates, New York City Economic Development Corporation, 2011

Hot Bread Kitchen, Hot Bread Kitchen, 2018

Hot Bread Kitchen: NYC Food Based Community Organization Spotlight, Hunter College New York City Food Policy Center, 2016

Kitchen Feature: Hot Bread Kitchen, The Food Corridor, 2017

La Marqueta Vendors Cautiously Optimistic About Changes to Historic Market, DNAinfo, 2011

NewBo City Market: Cedar Rapids, IA³

NewBo City Market was established in 2012 as mixed-use community space, with emphasis on being a marketplace, business incubator, gathering place, and event center near downtown Cedar Rapids. It is located in a building that was originally a blighted warehouse and metalworks facility that was further damaged by flooding in 2008. Afterward the 2008 flooding, the building was renovated through a \$4.25 million project and became NewBo's Rotary Hall, and NewBo's Market Yard was established adjacent to the building as a neighborhood park and gathering space. Mostly food-related companies occupy NewBo City Market, which has space for over 20 permanent tenants, with room for temporary food and craft vendors, flexible indoor space for seasonal markets and events, a commercial kitchen, and distribution space. The Market Yard can host another 150 vendors during farmers market season. Tenants pay a fee to be part of the incubator and are provided with production and sales space. This creates a lower cost of failure for business owners, who do not need to lease a space or outfit a kitchen. Tenants of the market also work with local mentors and experts to launch and grow their business.



The City of Cedar Rapids agreed to lease out the site of the market for \$1 annually for 30 years, with an option to renew. The \$4.25 million initiative was mostly funded by a \$3 million capital fundraising campaign, with the Hall-Perrine Foundation providing \$800,000 to kick off the campaign. Corporate and community leaders were targeted by fundraising efforts. In addition to the fundraising, NewBo City Market received almost \$1 million in state Vision Iowa Community Attraction and Tourism funds. NewBo City Market also sold naming rights, starting at \$3,000 each for benches and up to \$500,000 for the market hall. Continuing revenue streams for the market include stall rentals, sponsors, and memberships. Fundraising efforts also continue, through events like Newbo Bash, where the public can purchase tickets to have behind-the-scenes learning experiences with merchants at the market and enjoy food, drinks, and live music.

Harrisburg Market Area and Harrisburg East Submarket Analysis

The market area is a geographic area that a property or set of properties (in this case the study area) would serve. The real estate industry has divided major metropolitan areas into Real Estate markets for the purposes of comparisons and statistical analysis. In addition, these market areas are often broken into sub-areas based upon geographic barriers and local dynamics. The Harrisburg market includes two submarkets, Harrisburg East and Harrisburg West. The Susquehanna River bisects the market areas. The South Allison Hill Study Area is in the Harrisburg East submarket.

³ *NewBo City Market, NewBo City Market, 2018*
NewBo City Market Feasibility Study, Project for Public Spaces, 2010
NewBo City Market Kicks Off Fundraising Campaign, Corridor Business Journal, 2011
NewBo City Market Project Moves into Fundraising Phases, The Gazette, 2010

Figure 10: Harrisburg Market Submarkets



The Harrisburg market includes two submarkets, Harrisburg East and Harrisburg West, which are bisected by the Susquehanna River.

The South Allison Hill AWP study area is in the Harrisburg East submarket (shown as #1 in the map to the left).

Source: CoStar

Key Market Analysis Terms

The following terms are useful in understanding a real estate market analysis.

Absorption Rate: The amount of real estate that will be leased or sold in a given period, typically one year. This does not include lease renewals, unless the renewal would result in an increase in occupied space, or pre-lease of non-existing space. For example, if the absorption rate is lower than the availability, then there will be an expected increase in vacant properties or a potential downward pressure on rents or sales prices.

Asking Rent: The rent that a landlord is asking, typically per square foot, for a property. This does not mean the asking rent represents the actual rent that would be paid.

Availability Rate: This is the percentage of property that is currently available for sale or lease on the market as a percentage of total inventory in the market. It is measured on the last day of each quarter or the current date of the current quarter. Low availability rates mean an extremely tight market and less choice for lessees or buyers. A high availability rate means more choice.

Cap Rate: The income rate of return for a property that divides the net operating income (the actual or anticipated rental income after operating expenses are deducted, but before debt service or other expenditures are deducted) by the sale price or value of the property. This is a way to compare investment returns on an annual basis similar to how different loans would be compared with an APR. This is important to developers, investors, and landlords as it indicates potential profit.

Comparables (Comps): These are similar properties to the subject property or study area that can be compared to reach an estimate on the study area or subject property's market value. It is important that similar types of

properties, with sales or leases within a reasonable time period (typically one to two years) and a proximate geographic area are studied to help determine potential rents or sales prices as these are recent indicators of what the market commands.

Deliveries: This is the amount of construction, typically in square feet, that was built during a period, typically one year.

Demolition: The deletion of available building stock in the market due to destruction of the property, typically measured in one year.

Flex: A type of building that is capable of multiple uses, typically in a single facility, including office, research and development, retail sales, light manufacturing, and small warehousing and distribution space.

Inventory: The total amount, typically in square feet, of a particular structure type in the market at a given point in time.

Logistics: These are industries that deal with the supply chain, including shipping, transport, warehousing and distribution.

Market Rent: This is the rent that the landlord would receive, typically per square foot, for a property (what the market would command). This differs from asking rent in that this is the actual negotiated rent, and not what is being asked.

Net Absorption: The change in square feet of occupied inventory over a specified period, including the addition or deletion of building stock during that period of time, typically one year. This also includes subtraction for properties that are vacated during the same period of time, such as a tenant moving out.

Price per Square Foot: Sale price divided by the rentable square feet of the building. This is used in properties for sale or sold as opposed to properties leased or for lease.

Pro forma: A financial statement that projects gross income, operating expenses, and net operating income for a future period for a specific property or development. A pro forma takes into account a specific building or development, construction costs, operations and maintenance, financing and debt, permitting, and expected income through lease or sale. It also considers a time period assumption for vacancy to full occupancy. A real estate market analysis can help inform inputs into a pro forma, such as expected rent, sales, and vacancy rates. The pro forma helps a developer or investor determine the performance of the potential investment, risk, and whether it is financially feasible.

RBA (Rentable Building Area): This is the actual square footage of a building that is available for rent. This includes all usable portions of the building and shared common spaces. This is like gross leasable area in retail estate market analysis.

Real Estate Market Analysis: The study of demand and supply of real estate including property and/or buildings. The demand consists of users or would be users of the property, and the supply consists of a mix of existing property, buildings and future buildings that will be coming onto the market soon. The market analysis provides a snapshot on what could potentially be built or leased. This serves as part of the cash flow analysis that developers and investors use when calculating their proformas (calculations of costs and profits for individual development).

Rent Growth: The change in actual rent per square foot within a given period, typically one year.

Risk: The potential that the return on an investment or loan will not be as high as expected.

Sales Volume: This is the total amount of dollars, in nominal value, of real estate sales in a given period, typically one year.

Specialized Industrial: Buildings typically built to house specific industry types that require highly customized environments such as specialized food manufacturing.

Tenant Improvements: Improvements made to the property either at the tenant's expense or made by the landlord as part of the lease agreement negotiation.

Under Construction: This is the amount, typically in square feet, of promised new inventory that is currently still in the construction phase. Construction phasing typically means that permits have been obtained and at least a foundation has been completed. For example, the mass grading of land with no structural construction is not considered "under construction."

Vacancy Rate: The amount of existing inventory by square feet of structure that is unoccupied and available for sale or lease.

Market Key Indicators

Harrisburg Market Key Indicators

Harrisburg's industrial fundamentals are on solid footing, even in the face of outsized inventory expansion over the past three years. Widely considered to offer the region's second-strongest labor pool (with Allentown's Lehigh Valley being at the top of the ladder), Harrisburg's industrial landscape continues to evolve as ecommerce demand spillover prompts construction and supply chain reconfiguration. Lehigh Valley gets most of the press and buzz, but Harrisburg delivered only 600,000 square feet less than Allentown in 2017 while also generating roughly the same rent growth. The gains in asking rents in Harrisburg have smashed historical markers the past few years, driving both speculative and build-to-suit development. Although it's further west than Lehigh Valley, the Harrisburg metro area still offers a compelling locational case, and investors are clamoring for a piece of the region's warehouse and distribution future. Sales volume has topped the metro's historical average in four of the past five years (including three in a row between 2015–2017). Cap rates are finding a floor but are still well below pre-recession levels, with median pricing that's hovering around \$68.00 per SF.

Table 11: Key Industrial Market Indicators for the Harrisburg Market

KEY INDICATORS							
Current Quarter	RBA	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	76,593,446	8.0%	\$0.42	11.9%	276,100	1,007,868	2,077,099
Specialized Industrial	14,726,840	3.5%	\$0.52	4.0%	23,891	0	0
Flex	4,316,078	17.8%	\$0.74	22.0%	(14,451)	0	0
Market	95,636,364	7.8%	\$0.45	11.2%	285,540	1,007,868	2,077,099
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-1.3%	8.2%	7.4%	14.0%	2009 Q4	2.1%	1998 Q4
Net Absorption SF	3.3 M	1,369,487	1,991,449	4,882,446	2000 Q4	(1,551,900)	2008 Q3
Deliveries SF	2.2 M	1,805,071	2,352,285	4,749,836	2001 Q2	0	2012 Q2
Rent Growth	6.1%	1.8%	2.3%	6.3%	2018 Q2	-3.8%	2010 Q3
Sales Volume	\$198 M	\$129.0 M	N/A	\$496.9 M	2016 Q2	\$0	2004 Q4

Source: CoStar

Submarket Key Indicators

The Harrisburg East submarket, while smaller, is comparable to the performance of the overall Harrisburg market. Overall, being the smaller of the two submarkets, it has not seen the growth and absorption rates of the Harrisburg West submarket. The submarket has an overabundance of Flex space which has created vacancy rates of 20.7 percent and high market availability. This has had a downward impact on asking rents. Specialized Industrial has been a strong performer, although no new structures are under construction or delivered.

The major market player continues to be Logistics facilities with the Harrisburg West submarket seeing a large majority of delivered new construction and square footage under construction. Due to the low availability rate and square feet under construction, the Harrisburg East submarket commands higher rents for Logistics facilities. Rents for other facilities, including Specialized Industrial and Flex space, are slightly lower than the overall market due to higher vacancy rates in Specialized Industrial and Flex space and lower than expected absorption rates for Flex space. It is important to note that Flex space still commands a rent premium compared to other industrial real estate types due to its ability to serve both the office and industrial markets. While vacancy for Logistics is lower in the Harrisburg East submarket, the overall availability is higher due to older and smaller structures. At the same time, potential obsolescence must be taken into consideration, although this is on a property by property basis. As previously indicated, demand for logistics building envelopes continues to change, and interstate access is still a key site selection consideration.

Table 12: Key Market Indicators for the Harrisburg East Submarket

KEY INDICATORS							
Current Quarter	RBA	Vacancy Rate	Asking Rent	Availability Rate	Net Absorption SF	Deliveries SF	Under Construction
Logistics	24,193,797	3.7%	\$0.45	13.2%	220,945	0	133,499
Specialized Industrial	5,780,725	5.9%	\$0.48	6.5%	33,600	0	0
Flex	2,617,798	20.7%	\$0.72	24.5%	(43,000)	0	0
Submarket	32,592,320	5.5%	\$0.47	12.9%	211,545	0	133,499
Annual Trends	12 Month	Historical Average	Forecast Average	Peak	When	Trough	When
Vacancy Change (YOY)	-1.0%	7.7%	5.8%	17.6%	2012 Q3	2.6%	1998 Q4
Net Absorption SF	396 K	240,683	65,165	2,982,037	2000 Q4	(1,567,996)	2012 Q3
Deliveries SF	67.5 K	392,558	103,884	3,139,059	2000 Q4	0	2014 Q2
Rent Growth	5.6%	1.7%	2.2%	5.9%	2018 Q2	-3.6%	2010 Q1
Sales Volume	\$83.5 M	\$42.1 M	N/A	\$185.0 M	2017 Q2	\$0	2005 Q2

Source: CoStar

Market Demand

Ecommerce continues to drive development across Harrisburg and much of Central Pennsylvania, and fundamentals are holding up well in both. While considerable speculative development has and will continue to create occasional spikes in the metro area's headline vacancy number, abnormally high rent growth and robust leasing show that Harrisburg has a good amount of near-term runway ahead. The Harrisburg metro is ideally located within a day's truck drive of 40 percent of the US population and 60 percent of the Canadian population thanks to Interstate 81 bisecting it, and a companion route (U.S. 11) which also helps for more localized needs. While I-81 doesn't actually run through any major metropolitan areas, shippers have fairly easy access to the international ports of Philadelphia, Baltimore, New York, and Boston.

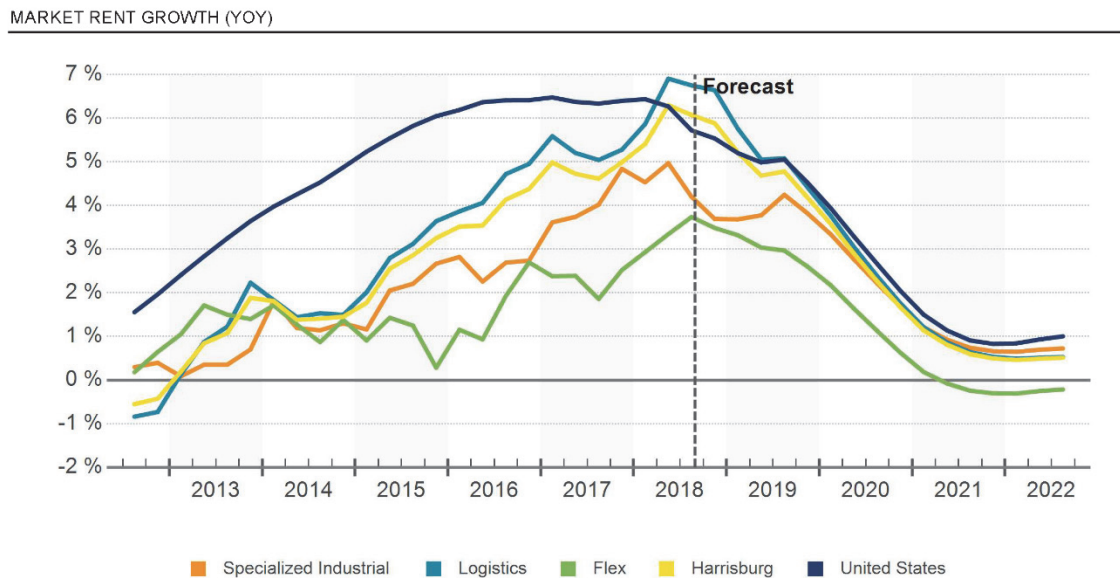
Net Absorption, Net Deliveries, and Net Vacancy

Companies like Whirlpool, Amazon, Ace Hardware, FedEx, Kohler and Lindt Chocolates have set up large-scale warehouse and distribution centers in Harrisburg, mostly in the Harrisburg West submarket. But those tenants account for just a portion of recent net absorption. Competition from nearby Lehigh Valley is an ever-present demand risk—the region is closer to New York, Philadelphia and Boston, and the workforce is considered best-in-class regionally—but major distribution centers are also coming on line to serve international corporations such as Starbucks and Amazon near York, Lebanon, and Scranton. Supply chain management company Syncreon signed a seven-year lease in 2017 for 1 million square feet that delivered at the Goodman Carlisle Logistics Center in 3rd Quarter 2018.

Rent

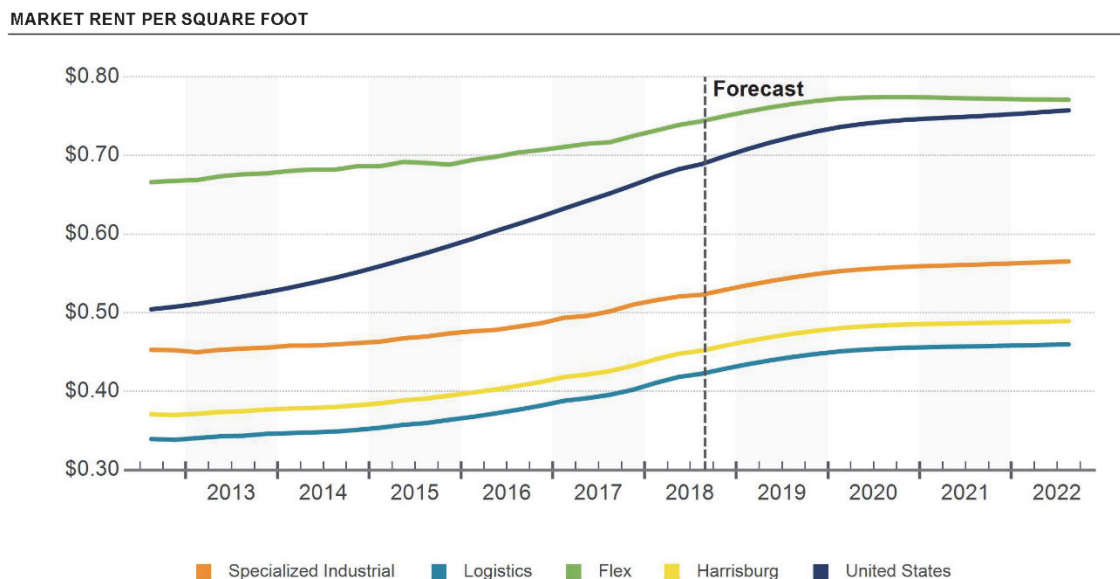
Asking rents have increased by more than 4 percent in back-to-back years in Harrisburg over the past two years—a pace that more than doubles the metro's historical benchmark for annualized gains—and 2018 is on pace to make it three straight years. Year-over-year growth of roughly 6.1 percent is a byproduct of vacancy that has moved by about -1.3 percent in that same time period. At some point, millions of square feet of speculative deliveries will stifle pricing power, but strong demand persists for logistics space across Central Pennsylvania, and Harrisburg is a slightly cheaper option overall than either Lehigh Valley or Lancaster.

Figure 11: Historical Rent and Future Rent Forecasts for the Harrisburg Market Area



Source: CoStar

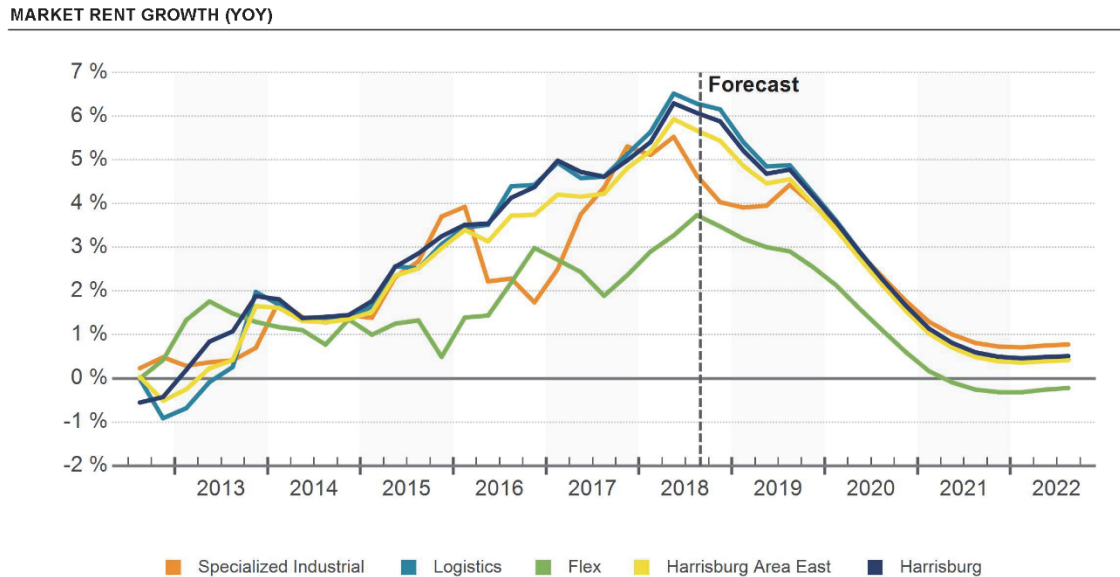
Figure 12: Historical and Forecasted Rent per Square Foot for Select Industrial Property Types for the Harrisburg Market Area



Source: CoStar

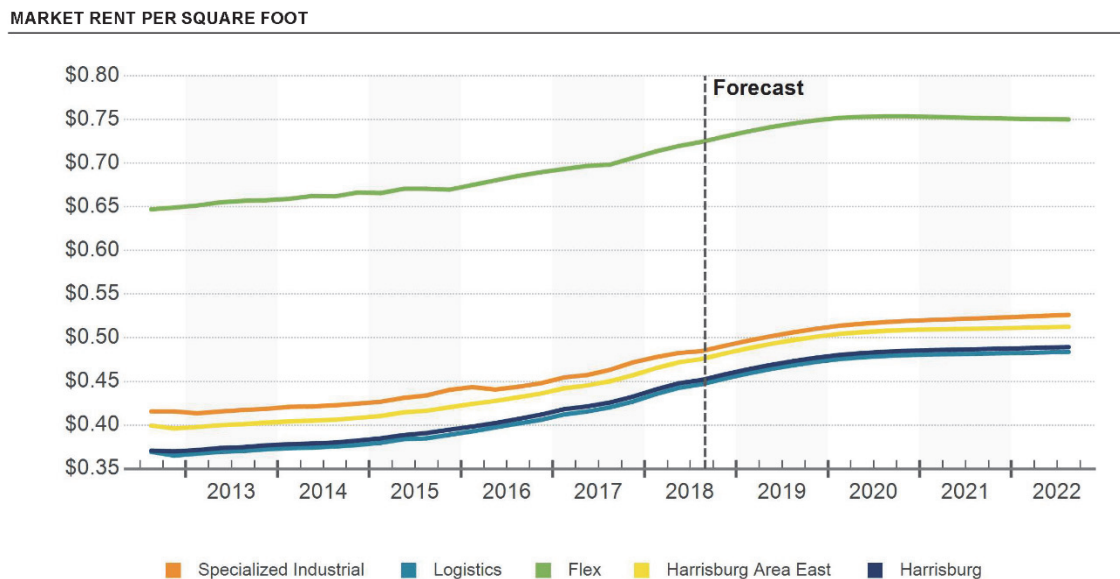
The Harrisburg East submarket has seen similar rent growth as the overall Harrisburg Market. While peaking in 2018, it is expected that this trend of year over year rent growth will wane as rents stabilize due to the overall square footage under construction that will be coming to market, which will curb the ability for existing facilities to increase rents. Most of this competition will be from the Harrisburg West submarket as forecasted deliveries of new product are expected to be flat well into 2022 for the Harrisburg East submarket.

Figure 13: Historical Rent and Future Rent Forecasts for the Harrisburg East Submarket



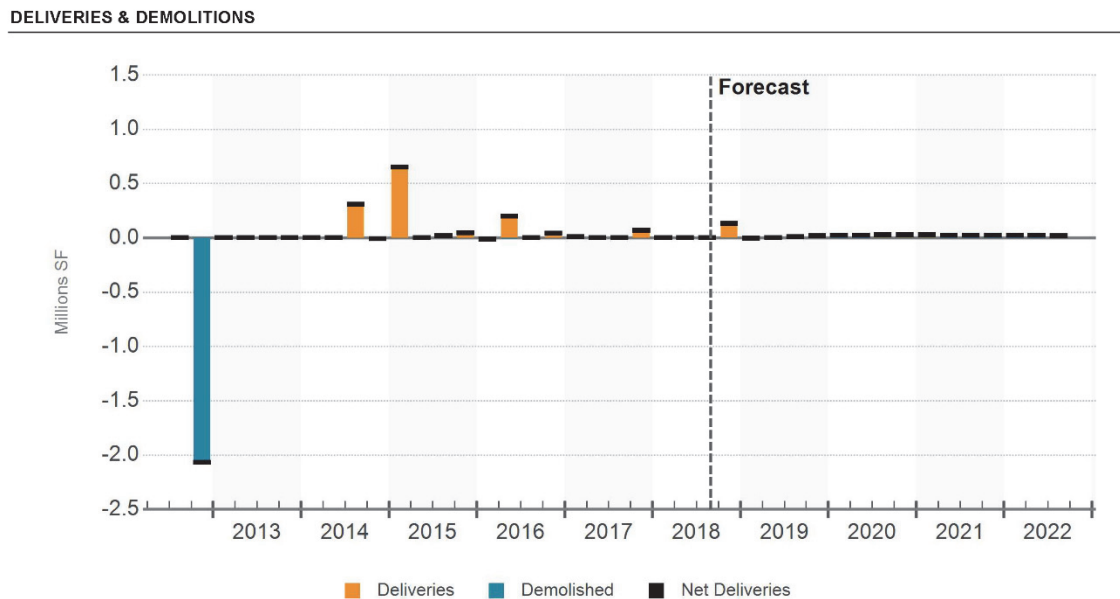
Source: CoStar

Figure 14: Historical and Forecasted Rent per Square Foot for Select Industrial Property Types for the Harrisburg Market Area



Source: CoStar

Figure 15: Overall Historical and Forecasted Deliveries of New Facilities in the Harrisburg East Submarket



Source: CoStar

South Allison Hill Study Area Comparisons

Summary

While market comparisons could not be run on every catalyst property within the South Allison Hill AWP study area, the Coca-Cola building was chosen as a proxy for a typical industrial/warehouse property. It should be noted that this property is two stories, which does limit its market appeal for warehousing and single user industrial. Overall comparisons were drawn from an approximate 2-mile radius of the study area. Overall the comparisons indicate:

- An older overall building stock with 1960 being the average year a building was built in the study area.
- Ceiling heights average just under 16 feet, which decreases competitiveness for warehousing and specialized industrial space which are demanding higher ceilings and mezzanine structures.
- The average floor square footage is just over 22,000 square feet which is adequate for some small to mid-cap industrial operations but could not accommodate logistics or industries with heavy distribution or warehousing needs. Furthermore, the average available space is an average of 17,000 square feet (structures available on the market).
- The average asking rent for peer properties for the area is approximately \$0.40 per square foot with lease rates averaging \$0.29 to \$0.45 per square foot which are lower than the overall Harrisburg market. Lower rents are probably due to overall vacancy rate, time on market (for both sale and lease), and age of structure.
- The average sales price is approximately \$1.6 million, although there is a high variability from a low of \$255,000 to a high of over \$4 million. The average price per square foot is \$32. The average building size sold was almost 50,000 square feet with average ceiling heights of over 17 feet. The average building age was 1975 with built dates ranging from 1940 to 1997.
- Completed construction within a 30-mile radius of the AWP study area consists of 9 projects totaling over 3.2 million square feet. The average building footprint is approximately 357,000 square feet with an average ceiling height of 32 feet. Approximately 74 percent of the built square footage is leased.

- Current construction within a 30-mile radius of the study area consists of 7 projects totaling approximately 3.7 million square feet. The average building footprint is over 500,000 square feet with an average ceiling height of 36 feet. Approximately 35.5 percent of this construction is pre-leased.

Market Comparisons

The following peer available properties for sale were used to determine overall market comparisons for the study area.

Figure 16: Peer Market Comparisons for the Study Area

		Property					Availability & Vacancy				
Property Name / Address		Rating	Yr. Built	RBA	Ceiling Ht	Docks	Spaces	Avail SF	Avail %	Vac%	Asking Rent/SF
	207-227 S 17th St		1936	60,000	20'	1	-	-	0%	0%	-

PEERS WITH AVAILABILITY

 1	2323 Woodlawn St	★ ★ ★ ★ ★	1979	17,500	17'	2	2	17,380	99.3%	0%	\$0.52
 2	1002 N 12th St	★ ★ ★ ★ ★	1958	20,000	19'6"	-	1	20,000	100%	100%	\$0.50
 3	1119 S Cameron St	★ ★ ★ ★ ★	1950	23,592	12'-14'	-	1	12,000	50.9%	0%	\$0.41
 4	3101 Wayne St	★ ★ ★ ★ ★	1963	10,200	12'	5	1	10,200	100%	0%	\$0.41
 5	2409 Herr St	★ ★ ★ ★ ★	1955	12,240	14'	2	2	12,240	100%	0%	\$0.38
 6	2501 Sycamore Street 2501 Sycamore St	★ ★ ★ ★ ★	1970	60,000	19'	3	2	35,095	58.5%	0%	\$0.36
 7	1104-1106 N Herr St	★ ★ ★ ★ ★	1920	23,900	10'-24'	1	2	11,000	46.0%	12.6%	\$0.32
 8	1603 N Cameron St	★ ★ ★ ★ ★	1986	24,309	14'	1	2	18,092	74.4%	0%	\$0.31
8	Sub-Totals			191,741			13	136,007			

Source: CoStar

Figure 17: For Lease Market Comparisons for the Study Area

			Lease				Rents	
Property Name - Address		Rating	SF Leased	Floor	Sign Date	Type	Rent	Rent Type
1	800 Paxton St	★ ★ ★ ★ ★	18,500	1st	6/27/2018	New	\$0.25/nnn	Asking
2	2248 Derry St	★ ★ ★ ★ ★	5,700	1st	5/7/2018	New	\$0.31/nnn	Asking
3	Bldg 1 2700 Paxton St	★ ★ ★ ★ ★	5,900	1st	12/1/2017	Renewal	\$0.35/nnn	Starting
4	2501 Sycamore Street 2501 Sycamore St	★ ★ ★ ★ ★	23,000	1st	11/1/2017	New	\$0.36/nnn	Starting
1	800 Paxton St	★ ★ ★ ★ ★	50,977	1st	10/31/2017	Renewal	\$0.31	Starting
5	815 Market St	★ ★ ★ ★ ★	2,187	1st	10/26/2017	New	\$0.31/ig	Asking
6	101 S 17th St	★ ★ ★ ★ ★	20,611	1st	3/1/2016	New	\$0.45/nnn	Effective

Source: CoStar

Figure 18: Sales Comparisons for the Study Area

		Property				Sale			
Property Name - Address		Rating	Yr Built	Bldg SF	Vacancy	Sale Date	Price	Price/SF	Cap Rate
1	713 S 22nd St	★ ★ ★ ★ ★	1986	33,000	0%	7/23/2018	\$820,000	\$25	-
2	1016 S 29th St	★ ★ ★ ★ ★	1940	13,926	0%	5/24/2018	\$255,000	\$18	-
3	1039 S 13th St	★ ★ ★ ★ ★	-	24,000	95.0%	4/19/2017	\$720,000	\$30	-
4	1549 Bobali Drive, Harrisburg, PA 17104 1549 Bobali Dr	★ ★ ★ ★ ★	1992	100,000	0%	1/31/2017	\$4,225,100	\$42	-
5	Bonitz Bros. Inc. 931 Dana Dr	★ ★ ★ ★ ★	1997	54,375	0%	11/4/2016	\$2,218,500	\$41	-
6	3996 Paxton St	★ ★ ★ ★ ★	1958	74,000	0%	4/25/2016	\$1,250,000	\$17	-

Source: CoStar

Proximity to Interstate

A competitive advantage for the South Allison Hill AWP study area is its proximity to Interstate 83. The AWP study area has convenient highway access via S 13th and S 17th Street. As shown in Figure 19, there are existing commercial and industrial uses located adjacent to the highway, including a food manufacturing company and fabrication company along S 17th Street.

Figure 19: Transportation Network



Conclusions

- The Harrisburg market has rebound tremendously since the recession, although overall cap rates are still at pre-recession levels, so profits are still slightly soft compared to the pre-recession boom. Most of the growth has been led with the burgeoning logistics and distribution cluster which demands large and modern facilities. Most of this growth is happening in the West submarket along the major interstate corridors in suburban areas of the MSA where greenfield development can be accommodated (e.g., Interstate 81).
- Rents in the Harrisburg East submarket (where the study area is located) are expected to flatten over the next few years due to under-construction inventory that will come to market. This new inventory, although mainly logistics related, will have an impact on rents commanded within the study area and may work to drive down already low rents in areas with high obsolescence. While this can be an advantage, this can reduce funding available for building maintenance, repair, and tenant improvements.
- The South Allison Hill AWP study area, and the two-mile radius used for market comparisons, contains many older buildings with 1960 being the median age. Lower ceiling heights of existing structures decreases competitiveness for warehousing and specialized industrial space which is demanding higher ceiling heights. The average building size is just over 22,000 square feet which can accommodate small and mid-cap industrial operations such as identified growth clusters including specialized food manufacturing, small plastics (other), and malt beverage (small brewing operations). These types of businesses often prefer lower rent industrial areas and often pay higher wages than retail or service sector employment.
- The average asking rents for the market comparisons for the study area averaged \$0.40 per square foot which is lower than the submarket and Harrisburg market respectively. This is partially due to age and size of the structures, longer time on market, and current vacancy rates. This also points to potential obsolescence or the need for reinvestment in structures to increase their market potential. Also, continued reduction in parcelization (some consolidation of parcels has occurred) and creation of ready-to-build sites can also reduce ramp up times for businesses, which can be attractive due to increased certainty and reduced overall costs. Both strategies can make the study area more competitive with current greenfield development.
- Lower rents can be an advantage to cost-conscious businesses, although it is important to note that both specialized food manufacturing and small brewing operations typically require significant retrofitting of existing structures due to the specialized nature of their operations. Some catalyst structures within the study area, including the Coca-Cola building may be good candidates for this type of investment, but for many existing structures, it may be more cost effective to build a new structure. Small plastic extrusion and molding businesses may not require the same retrofits of existing structures and may be good candidates for existing structures.
- It is important to note that pro formas were not included within this study to analyze investments and returns on individual properties within the study area. Care should be taken when evaluating structures to consider the potential rents, time on market, and overall internal rate of return to determine risk level, ability of landlords to reinvest in aging properties, and whether retrofits, adaptive reuse or demolition/new construction may result in better returns and a more economically competitive area.